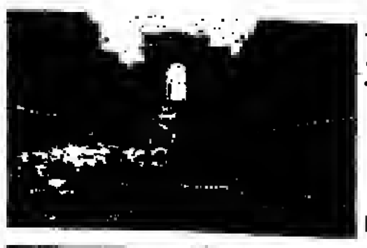
# FINANCIAL TIMES



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*Why the city is selling up*
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World Business Newspaper
THURSDAY JANUARY 4 1996

## Hong Kong airline drops plan to train pilots in Australia

Cathay Pacific, the Hong Kong carrier whose position is under challenge from China, reversed a decision to relocate its training facilities to Australia. It said it would continue to train its pilots in the colony. The airline said costs were the reason for shifting the operations when it made the original decision in September but had reconsidered on commercial grounds after a last-minute offer of cheap land. Page 10

**Chirac presses for reforms to continue:** President Jacques Chirac urged his ministers to push on with reform, but the French government's first legislative move of the year – approving a draft law on apprenticeships – was criticised by employers and unions. Page 10

**Ikea's founder rules out family succession:** Ingvar Kamprad, Swedish founder of the Ikea furniture store empire, does not want any of his three sons to become chief executive of the worldwide chain. Page 11; Safeguarding the future, Page 12

**ITC to challenge tax evasion fine:** ITC, India's biggest tobacco company, is to contest in court a Rs7.99bn ($228m) fine for alleged tax evasion imposed by India's excise commissioner. Page 11; Lex, Page 10

**Spain moves to restrict strikes:** Spanish businesses and trade unions have agreed the outline of a pact aimed at improving the country's strike record, one of the worst in the European Union. Page 2

**Hutchison Whampoa,** the Hong Kong-based conglomerate, reorganised its telecommunications interests in a move to improve productivity and cost effectiveness. Page 11

**Belgian budget deficit falls:** The Belgian government unveiled figures showing a marked drop in last year's budget deficit, and said it remained on course to be one of the first European countries to participate in a single currency. Page 2

**France Télécom** is seeking around $500m in damages from Poland and has asked the International Court of Justice to step in over a dispute with Warsaw about mobile telephone networks. Page 12

**Railtrack sell-off to go ahead:** The UK government is to go ahead with privatising Railtrack in May despite growing political opposition. Analysts expect the flotation will value the company, which has taken over British Rail's track, stations and signalling, at between £1.5bn and £2.5bn ($3.85bn). Page 10

**Aid group accuses Rwanda of theft:** French medical charity Médecins Sans Frontières, expelled from Rwanda, accused the government of theft, saying it had confiscated vehicles and communications equipment worth up to $700,000. Page 4

**Six feared dead in Indian bomb blast:** A bomb exploded in the heart of New Delhi, killing at least six people and seriously wounding about 20. A little-known separatist group claimed responsibility for detonating the device.

**Disneyland clash:** A clash at Disneyland Paris left 14 people injured during a union protest for higher wages at the theme park. Page 2

**Anti-matter breakthrough:** Scientists said they had created anti-matter – previously the stuff of science fiction – for the first time. Physicists in Geneva produced atoms of anti-hydrogen, a kind of mirror-image of normal hydrogen – the first time an anti-matter chemical element has been seen.

**Cricket:** South Africa were bowled out for 244 by England after a last wicket stand of 73 helped them to a first innings lead of 91 in the fifth and final Test in Cape Town. At the close on the second day, England were 17 for one in their second innings. The first four matches were drawn.

**Ford unveils concept car:** US carmaker Ford unveiled a futuristic and ultra-economic concept car, the Synergy 2010 (below), at the Detroit motor show. With room for six, the car is loaded with advanced technology and is one-third lighter and 40 per cent more aerodynamic than today's sleekest Ford. Aston Martin U-turn, Page 11; Indian car plant, Page 13

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| **New York lunchtime** | | |
| Dow Jones Ind Av | 5,197.32 | (+19.67) |
| NASDAQ Composite | 1,051.30 | (-7.35) |
| **Europe and Far East** | | |
| CAC40 | 1,942.96 | (+34.58) |
| DAX | 2,329.22 | (+44.36) |
| FT-SE 100 | 3,715.6 | (+27.7) |
| Nikkei | closed | |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds | 6¼% |
| 3-mth Treas Bills: Yld | 5.190% |
| Long Bond | 112⅜ |
| Yield | 5.947% |

**OTHER RATES**

| | | |
|---|---|---|
| UK: 3-mo Interbank | 6½% | (same) |
| UK: 10 yr Gilt | 108⅜ | (107⅔) |
| France: 10 yr OAT | 108.05 | (108.08) |
| Germany: 10 yr Bund | 103.64 | (103.77) |
| Japan: 10 yr JGB | 111.803 | (111.806) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Feb) | $18.58 | (18.45) |

**GOLD**

| | | |
|---|---|---|
| **New York Comex** | | |
| Feb | $398.2 | (391.9) |
| **London:** | | |
| close | $393.75 | (389.2) |

**DOLLAR**

| | | |
|---|---|---|
| **New York lunchtime** | | |
| £ | 1.553 | |
| DM | 1.44235 | |
| FFr | 4.9228 | |
| SFr | 1.16165 | |
| Y | 104.575 | |
| **London:** | | |
| £ | 1.5511 | (1.5568) |
| DM | 1.4403 | (1.4347) |
| FFr | 4.916 | (4.8976) |
| SFr | 1.1607 | (1.1569) |
| Y | 104.365 | (103.965) |

**STERLING**

| | | |
|---|---|---|
| DM | 2.234 | (2.2335) |
| Tokyo : | Y closed | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Austria | Sch37 | Greece | Dr400 | Malta | Lm0.65 | Qatar | QR13.00 | | |
| Bahrain | Din1.250 | Hong Kong | HK$20 | Morocco | MDh16 | S.Arabia | SR12 | | |
| Belgium | BFr75 | Hungary | Ft230 | Neth | Fl 4.75 | Singapore | S$4.30 | | |
| Bulgaria | Lev120.00 | Iceland | IKr230 | Nigeria | Naira90 | Slovak Rp | Sk65 | | |
| Cyprus | C£1.20 | India | Rs75 | Norway | NKr20.00 | S. Africa | R12.00 | | |
| Czech Rp | Kč60 | Israel | Shk7.90 | Oman | OR1.50 | Spain | Pta250 | | |
| Denmark | DKr18 | Italy | L3200 | Pakistan | Rs40 | Sweden | SKr20 | | |
| Egypt | E£5.00 | Japan | Y500 | Philippines | Peso50 | Switz | SFr3.70 | | |
| Estonia | EKr 22 | Jordan | JD1.50 | Poland | Zł 5.50 | Syria | S£65.00 | | |
| Finland | FM15.50 | Kuwait | Fils.650 | Portugal (mainland) | Es240 | Tunisia | Din1.750 | | |
| France | FFr11.50 | Lebanon | US$1.50 | | | Turkey | L70,000 | | |
| Germany | DM4.00 | Lux | LFr75 | | | UAE | Dh12.00 | | |

# White House blames top Republicans for shutdown

*By Jurek Martin in Washington*

The US budget battle turned nasty yesterday as the White House began naming House Republican leaders it charged were responsible for the government shutdown, the impact of which was beginning to spread.

Simultaneously the fissures between the hardline House and the more pragmatic Senate widened. The House Republican caucus came out in flat opposition to a temporary back-to-work motion sponsored by Senator Bob Dole, the majority leader, and approved by the Senate on Tuesday night.

Another White House negotiating session was planned for yesterday afternoon, with President Bill Clinton, Congressman Newt Gingrich, the House Speaker, Mr Dole, and other leaders of both parties. But its prospects were rendered dim by the war of words which preceded it.

Mr Mike McCurry, the president's press secretary, said it was obvious that most Republicans wanted to end the impasse. He then accused three House Republicans – Mr Gingrich, Mr Richard Armey, the majority leader, and Mr Tom DeLay, the chief whip – of preventing a return to work by 280,000 federal employees and forcing about 500,000 others to work without pay or on less than full salary.

"It's gruesome what they're doing to the federal workforce and what they're doing to the American people," Mr McCurry said.

Mr Dole is clearly becoming frustrated by this second government closure, now nearly three weeks old. He said on Tuesday night: "We've made our point, people have been gone from their jobs long enough." He added that the House Republicans' attitude was not "helpful". His proposal would put the government back in business until January 12 in the hope that the budget confrontation could be settled by then.

But Mr Gingrich and other leading House Republicans yesterday insisted that the government would remain partly closed until there was an agreement to balance the budget in seven years which was certified as achievable by the Congressional Budget Office.

The White House negotiations

Continued on Page 10
Tug of war, Page 9

# Northrop bolstered by $3bn defence deal

## Westinghouse will use sale to pay down media debts

*By Christopher Parkes in Los Angeles*

Northrop Grumman, the Los Angeles-based defence contractor, yesterday won the $3bn-plus auction of Westinghouse Electric's defence and electronics business, marking a further step in the reshaping of the US defence industry.

Northrop, which makes the radar-evading B2 stealth bomber, will pay $3bn cash and assume a further $600m in pension-related liabilities associated with the acquisition's 12,000 employees.

Westinghouse, which recently sold its Knoll furniture subsidiary for $565m, said total sell-off proceeds to date of $4.2bn would be used to pay down 65 per cent of the debts incurred in last year's $5.4bn purchase of the CBS television network.

Mr Michael Jordan, Westinghouse chairman and chief executive, said the deal "capped" a three-year restructuring plan in which the concern's focus had been shifted to broadcasting and its diversified industrial portfolio had been sharply pruned.

The deal could give Westinghouse the financing leeway necessary to buy more media businesses.

It was hailed yesterday in the defence industry as a crucial step in reinforcing the position of Northrop, which had been considered especially vulnerable because of the group's heavy dependence on the market for high-priced military aircraft which has been squeezed hard by budget cuts across the world.

The deal also tightened the links binding the leading players in the US defence industry. Northrop's fuselage-building arm was a major beneficiary of a recent $18bn federal order for McDonnell Douglas's C17 transporter aeroplanes.

The group, which currently employs 37,000, is also an important supplier to Boeing, the leading civil aviation concern, and Lockheed Martin.

Moody's Investors Service, which responded to the latest news by putting about $740m of Northrop group debt under review for possible downgrading, said the Westinghouse businesses – including military and civil radar systems and anti-submarine warfare equipment – had "good earnings prospects and solid operating margins".

Northrop said yesterday that its acquisition, which recorded sales of $2.6bn last year, had $3.8bn-worth of firm, long-term contracts with federal and foreign customers and a projected follow-on order book from existing customers of some $4bn.

The group, which last year turned over $6.8bn, said it had received $4.8bn in financing commitments for the purchase, and had last year surpassed its target of reducing net debts by more than $200m to $1.6bn.

Despite initial dilution effects,

Continued on Page 10
Lex, Page 10

Steven Hawkins (left), colonel in charge of the pontoon bridge across the Sava river, north-eastern Croatia, accompanied US secretary of defence William Perry as they walked over the bridge, the main US crossing point into Bosnia. Perry upbeat on Bosnia peace, Page 2 Reuter

## Hopes of further reductions in interest rates and continued low inflation

# Markets surge on investor optimism

*By Philip Coggan, Markets Editor, in London*

Stock markets surged round the world yesterday as investors started 1996 in buoyant mood, looking forward to interest rate cuts and continued low inflation.

Shares in Amsterdam, Brussels, Cyprus, Dublin, Frankfurt, Johannesburg, London, Madrid, Oslo and Zurich all recorded intra-day or closing highs after Wall Street had set the tone with a 60-point gain in the Dow Jones Industrial Average on Tuesday night. The Dow was strong again in early trading yesterday, rising 25 points by 3pm New York time.

Interest rates fell across Europe and in the US in December as monetary authorities attempted to stimulate a slowing world economy. With few signs of inflationary pressure, there may be further cuts early this year.

Low interest rates help shares because they prompt investors to look for alternatives to holding cash, and because they reduce the borrowing costs of corporations and increase consumers' disposable income, helping profits growth.

Yesterday's surge is the latest example of the traditional "January effect" when shares rise in the first month of the year. Explanations for the phenomenon vary, but some argue that institutions tend to receive new money for investment at the start of the year.

European markets yesterday received a fillip from a stronger US dollar. A rising US currency helps exporters in hard currency countries, such as Germany, and boosts shares in soft currency countries, such as Spain, by allowing their monetary authorities to cut interest rates.

The biggest percentage rise in Europe yesterday came in Switzerland, where the SMI (Swiss market index) rose 2.6 per cent. The Zurich market was catching up with the rest of Europe, having been closed on Tuesday when most other bourses were open.

In London, the FT-SE 100 Index rose 27.7 points to a new closing high of 3,715.6, having reached an all-time high during the day of 3,719.8, as the market overcame the political worries that dogged it on Tuesday.

Johannesburg, the one non-European market to set a new high, was given a lift by the gold price, which fixed in London at $393.40, its highest level since last April.

World stocks, Page 26
London stocks, Page 22

# Dresdner Bank staff held in German tax evasion probe

*By Andrew Fisher in Frankfurt*

The crackdown by German authorities on tax evasion has led to the arrest of two Dresdner Bank employees suspected of helping clients avoid taxes by moving funds to Luxembourg.

This is the first time Dresdner Bank employees have been taken into custody following a series of raids on branches of the bank in the past two years.

The two men are managers at the bank's Koblenz branch in North Rhine-Westphalia, south of Bonn.

Mr Norbert Weise, head of the Koblenz state prosecutor's office, said the detentions stemmed from the original raids by the Düsseldorf prosecutor's office. These uncovered possible evidence which led investigators to look into transactions at Koblenz and other regional branches.

Dresdner Bank, which has reacted angrily to the raids, said the arrests were apparently not linked with the wider tax investigation which centres on investors moving deposits abroad to escape tax.

Instead, they involved alleged manipulation of invoices by a local businessman – who is also in custody – so that some payments to his company were made direct to Luxembourg away from the eyes of tax authorities.

The bank said it stood by its employees and would give them all legal help.

Mr Weise said the two bank managers were suspected of having helped the owner of a local dealer in sausage-skin products to avoid taxes. He declined to comment on reports that the sum involved was at least DM2.5m ($1.74m).

The businessman's lawyer said he had now paid all taxes owed.

While sending funds to Luxembourg is not illegal, Germans are required to pay taxes on earnings from such investments. German state investigators have raided premises of several German and foreign banks seeking evidence of tax evasion. They are also concerned to find out whether bank employees have advised customers to evade taxes.

Other banks involved in prosecutors' probes include Commerzbank, Hypo Capital Management, part of Bayerische Hypotheken- und Wechsel-Bank, as well as Merrill Lynch of the US and Norddeutsche Landesbank.

The banks have denied that they or their employees have committed any offences, saying they do not advise people to invest in Luxembourg for tax reasons.

Because German taxes are high, mainly to pay for high reunification costs, German investors have been investing heavily in such locations as Luxembourg, Switzerland, Austria and Liechtenstein.

Since Germany imposed a 30 per cent withholding tax on interest payments in 1993, an estimated DM300bn or more has been shifted to tax refuges where no such levy is made.

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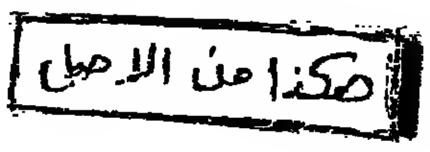


# Spanish pact agreed to curb strikes

By David White in Madrid

Spanish business and trade union representatives have agreed on the outlines of a pact on compulsory mediation procedures aimed at improving the country's strike record, one of the worst in the European Union.

The two main labour confederations, the Communist-dominated Workers' Commissions and the Socialist-oriented General Workers' Union, have both formally approved the proposals and expect an agreement to be signed by the end of the month.

However, the main employers' body, the Confederation of Spanish Employers' Organisations (CEOE), was more cautious, saying that the agreement was not yet settled and a number of technical aspects remained to be agreed.

The proposed pact, which would be an important step in reviving labour concertation in Spain after a decade in the doldrums, requires ratification by the governing councils of the CEOE and the small and medium-sized companies' organisation Cepyme.

If agreed, it will then be put to the government to give the pact legal status and provide financial backing for a mediation service. The CEOE emphasised that the government had stayed out of the year-long negotiations between the social partners.

Previous attempts to resurrect tripartite consensus between the government, employers and unions, following the expiry of an Economic and Social Agreement in 1986, came to nothing.

Mediation procedures, already in use in several Spanish regions, would be applied on a national scale under the proposed agreement. The pact would cover conflicts affecting employees in more than one region or involving substantial changes in working conditions. A minimum 72 hours would be required to seek a solution through a mediator before a strike could be called.

The UGT described the proposals as "very, very positive" and said the procedures did not diminish union rights. The CEOE said, however, that the aim was to make industrial action "the last of last resorts". The agreement would be renewable in five years. Apart from limiting strikes, the plan aims to reduce the number of conflicts sent to Spain's overburdened labour courts.

## Political solution proves elusive as unemployment nears 4m

# Jobs gloom dogs Germany

By Wolfgang Münchau in Frankfurt

The German economy is undergoing what in the US is known as a jobless recovery. The official statistics may register economic growth, but it has little significance in real life.

The German economy is not in recession, as defined by two subsequent quarters of economic decline. Growth last year is expected to be 2 per cent and a similar rate is predicted for this year. Yet Germany feels like a country in recession.

The Federal Labour Office, in one of its gloomiest new year predictions, estimates that unadjusted unemployment could breach the 4m mark this month or next, compared with 3.6m in November.

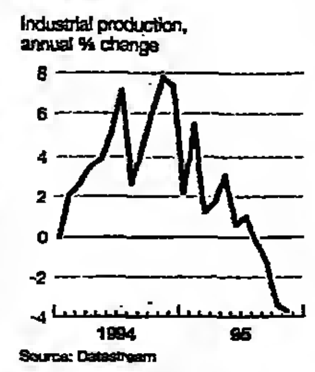
The figure of 4m unemployed in east and west Germany would translate into an unemployment rate of over 10 per cent, close to the 1994 record. Unlike 1994, however, this seasonal rise is occurring when the economy is in the middle of a cyclical upswing.

The soundbites are disheartening. Companies, especially Germany's multinationals such as Daimler-Benz, are cutting staff by the thousands.

The medium-sized company sector, the so-called *Mittelstand*, has still not recovered entirely from the last recession. Nor has it reverted to its traditional role of sucking up Germany's unemployed. At the same time the decade-long boom in the building sector, artificially prolonged by the demands of unification, is coming to an end, cut short further by the harsh winter.

Germany

Industrial production, annual % change




Source: Datastream

Mr Hans Jacob, labour market analyst at Deutscher Gewerkschaftsbund (DGB), the trade union umbrella organisation, said: "If there is no political initiative, the labour market is bound to remain weak, and we will not have reached the low-point for a while yet. If you leave it all to the self-healing powers of the markets, this situation is going to get a lot worse."

Mr Richard Reid, German economist at UBS Global Research in Frankfurt, said: "People are beginning to get weary of the poor labour market. With the high level of unemployment and the high level of taxes the outlook is not promising."

The Federal Statistics Office yesterday published more evidence that the German economy is slowing considerably, writes Michael Lindemann in Bonn. While industrial production remained stagnant in November, rising just 0.1 per cent on the levels a month earlier, the more indicative two-month figures show production falling 1.5 per cent compared with output in August and September.

The year-on-year figures for November show industrial production 3.7 per cent lower.

The rapidly deteriorating labour market has become over the last three months the most predominant issue in domestic politics. Chancellor Helmut Kohl promised a jobs programme; the unions are offering wage restraint in return for new hirings; and employers' representatives are calling for an end to collective wage agreements and the dismantling of the welfare state.

The DIW economic institute in Berlin is among the few rejecting most of the standard solutions. Mr Heiner Flassbeck, its chief economist, has argued that Germany's unemployment problem is a consequence of its ultra-hard fiscal and monetary policies.

While everyone appears to agree that unemployment is the most pressing political and social issue, there is no sign of an overall solution acceptable to everybody.

Last November, Mr Klaus Zwickel, head of the IG Metall, the metalworkers' union, suggested his "contract for labour", in which he proposed a zero per cent wage deal in real terms in return for a contractual commitment by the metal industry employers to hire 330,000 workers over a three-year period.

Other union leaders subsequently offered similar deals, and the German government jumped on the bandwagon, particularly Chancellor Kohl, who believes high unemployment constitutes a problem for himself and his party.

The employers, who have come under strong public pressure from all sides, remain divided between hardline liberals and the more traditional social market types. Mr Klaus Murmann, the vitriolic president of Germany's employers' federation, wants collectively negotiated wage rates replaced with a three-tier structure, made up of a basic minimum wage, a voluntary contribution by the company and performance-related pay.

The unions predictably cried foul and called his suggestion "old and reactionary". It is difficult to see what purpose the proposal has served, considering that it has no chance of even being discussed.

The way the debate is going shows that the consensus about industrial relations and the social market economy is becoming increasingly frail as times get harder.

# Scandal persuades Paris to sell the élite's council flats

By Andrew Jack in Paris

Wanted: buyers for hundreds of spacious apartments in some of the best districts of Paris. Apply soon to the city hall.

Just when the housing market in Paris is in the deepest depths of a cyclical slump – made worse by property speculation over the past few years – the city authorities are embarking on an ambitious programme to sell more than 400 flats it owns in the nation's capital.

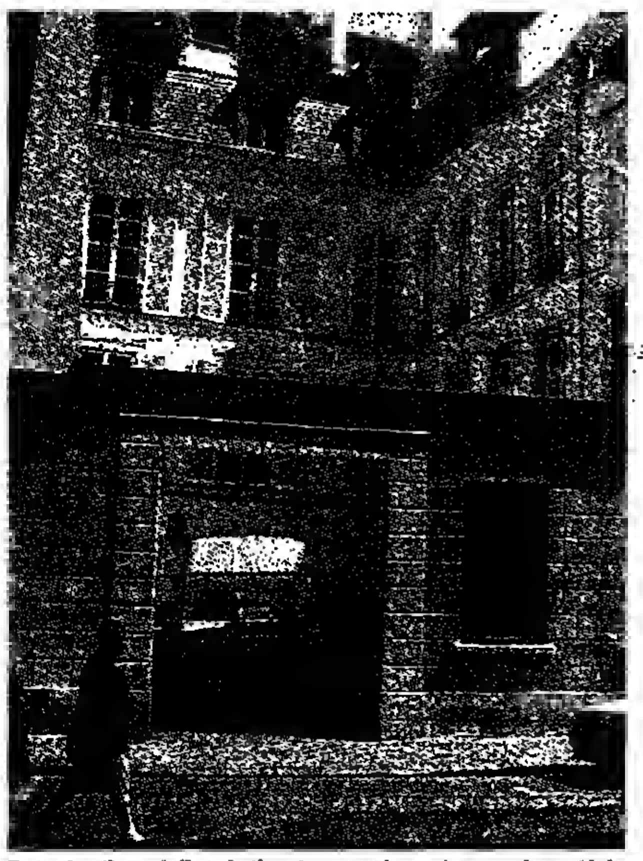
From spring 1996, a commission of independent experts convened by the city council will oversee the start of a huge disposal programme. Half of the flats are located in some of the most central and expensive addresses in Paris: the fourth, fifth and sixth arrondissements.

Of the 2,250 buildings owned by the city, there are 1,389 flats. Two-thirds of the flats will be transferred out of the direct ownership of the city, but not put up for sale.

The remaining third will be put on to the open market – most to be sold by public auction – as their leases expire over the next 10 years. Yet some 260 flats are already vacant, and about half of these are in adequate condition to be sold almost immediately.

Why Paris owns so many private apartments in the first place is an interesting question. Why it is selling them now, and which organisations remain in a similar position, are even more intriguing.

Many of the city's buildings were acquired many decades ago, including large stretches bought under compulsory purchase schemes in the late 19th century ahead of demolition to make way for planned new grand boulevards that were never built. Others were left to the city in legacies and by a range of other means. That left Paris with a large stock of accommodation and no clear policy on who could use it.



Flats for the privileged: the city-owned apartment where Alain Juppé lived at a rent considerably below the market rate

In the run-up and aftermath to the presidential election in 1995, the French press began to report on a growing number of the country's leading personalities – politicians, senior civil servants and even journalists – who were living in very comfortable city-owned accommodation.

The allegations sat particularly awkwardly with President Jacques Chirac's campaign pledges to fight against "social fracture" or division between the élites and the rest in French society, and at a time when the economic climate was already beginning to change for the worse.

While long lists of "the privileged" were published, criticism focused particularly on Mr Alain Juppé, the prime minister chosen by Mr Chirac. Mr Juppé lived in a large city-owned apartment (for a rent of FFr12,000 ($2,450) a month – thought to be 40 per cent below the market rate – and while deputy Paris mayor responsible for finance he had requested a cut of one third in the rent for another flat in which his son lived.

The scandal depressed the franc as the markets considered there could be a real threat to the government.

However, the public prosecutor decided that there was insufficient evidence to pursue Mr Juppé in the courts for *ingérence*, or undue interference, and said no action would be taken as long as he moved out of his flat and into the prime minister's official residence. Mr Juppé's own flat in Rue Jacob is likely to be one of the first symbolic sales.

Mr Chirac as mayor of Paris between 1977 and 1995 was at least nominally in charge of the process of allocating apartments. He launched a policy to sell some city-owned housing after he took office, but progress has been slow.

Yet he seems to have escaped more easily than Mr Juppé. He came under pressure after his low-rent, city-owned property was taken out of the city's control by being sold to a company in which the city of Paris owned a stake and of which he remains the tenant. Yet calls for legal action to be taken against Mr Chirac have been rebuffed.

The political fall-out over the city's housing policies has landed instead on Mr Chirac's anointed successor as mayor, Mr Jean Tibéri. Shortly after his appointment in June, he announced the creation of a commission to examine the problem, which published its findings last month.

It concluded starkly that the city "does not have the vocation to directly manage private property" and called for all of its housing stock to be hived off. Property suitable for low-income housing should be handed to special management organisations, while the rest should be sold.

The city will retain just a handful of buildings, and any senior employees to whom it provides housing will have their arrangements fully scrutinised.

Given that there is no clear legal advice on the subject – and that city politicians still living in city-owned flats might potentially be open to accusations of *ingérence* like Mr Juppé – Mr Tibéri has also put them on their guard of the risks they run if they do not move before their leases end.

# Belgian budget deficit falls ahead of Emu

By Emma Tucker in Brussels

The Belgian government yesterday unveiled figures showing a marked drop in last year's budget deficit, and declared it remained on course to be one of the first European countries to participate in a single currency.

Measured as a percentage of GDP, the budget deficit dropped to 4.5 per cent, compared with 5.3 per cent in 1994. If Belgium is to qualify for a single currency by the end of the century, it must reduce the deficit to 3 per cent of GDP over the course of this year.

The government's debt level also fell, to 133.7 per cent of GDP. Although this compares favourably to 1994's 136.1 per cent, Belgium remains a long way from the Maastricht treaty's ultimate target for debt of 60 per cent of GDP.

While the government celebrated the results of its fiscal discipline, bankruptcy figures also published this week showed the effect it is having on businesses and consumers.

According to figures from Infotrade, a Brussels-based research organisation, bankruptcies reached a record 7,022 last year, 10.2 per cent up on 1994.

Separately, Dun & Bradstreet said 555 companies were declared bankrupt in December, compared with 546 in December 1994, and 625 in 1993.

The figures coincided with a sombre start to the January sales, with retailers unconvinced that they will do much to lift business.

With consumer confidence at rock bottom and the public sector agitated about government austerity cuts, Belgium's centre-left government could run into difficulties as it strives to meet the Maastricht treaty's stiff economic targets.

The weeks before Christmas were blemished by sporadic disruptions to various public sector services although the scale of industrial unrest came nowhere near the level of protest witnessed in France.

Yesterday Mr Philippe Maystadt, the finance minister, said relaxing the current fiscal rectitude would be the right way to undermine consumer and business confidence.

"Any weakening in budget discipline would lead to a lack of confidence," he said. "We are not convinced that there is this traditional link between a decrease in the budget deficit

> The government says it is on course to be one of the first to participate in a single currency

and a weakening of the growth rate."

The government hopes to reach the 3 per cent deficit target this year, but is basing predictions on a growth forecast of 2.2 per cent. This is higher than independent forecasts which are hovering between 1.5 and 1.7 per cent for 1996. The government expects to revise its forecasts some time over the next few weeks.

Mr Maystadt and the budget minister, Mr Herman Van Rompuy, were optimistic about prospects for reducing the government debt. They pointed out that in two years debt, as a percentage of GDP, had fallen 4.3 percentage points.

They said the drop was partly a consequence of ending the "snowball" effect – whereby the debt notched ever higher as a result of interest payments – and represented the beginning of a "structural" reduction of the debt.

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# Russian spirits hit by vodka imports

By John Thornhill in Moscow

Russia's traditional bout of drinking over New Year has not brought seasonal cheer to the country's vodka distillers.

Russian producers are complaining that an influx of cheap spirits from neighbouring Ukraine and Belarus is threatening both the profitability of their industry and the health of the population.

Mr Vladimir Yarmosh, president of Rosalco, the association which represents most of Russia's biggest distillers, said imports from other Commonwealth of Independent States countries accounted for about half the 2.5bn litres of vodka Russians were estimated to drink each year.

He said low-grade vodkas from Ukraine and Belarus, in particular, had raised their share of the Russian market from 10 per cent to 35 per cent in the last few months of 1995.

Proliferation of cheap vodka has had some advantages, encouraging many Russians to use it to clean car windscreens. Unlike water, vodka

> An influx of cheap produce from Ukraine and Belarus is threatening the profitability of the industry

does not freeze when the temperature falls to -20°C.

But the dangers of excessive vodka drinking have also been highlighted recently. Moscow city health authorities said 17 drunken revellers died of exposure over the New Year holiday, with 77 others hospitalised for frostbite.

Russian vodka consumption has risen steeply since drinking curbs were eased following the collapse of communism in 1991 and the subsequent liberalisation of trade.

It has been estimated that the Russian population of 150m now consumes substantially more vodka each year than the 280m citizens of the Soviet Union drank annually in the late 1980s.

But despite the big growth in the market, Russian distillers have been struggling to survive because of their antiquated production methods, higher licensing fees and taxes, and increased prices for raw alcohol and grain.

At the top end of the market, traditional Russian vodkas have been undermined by heavily marketed western imports, such as Absolut and Smirnoff, which have become the favoured tipples of the new moneyed classes.

But the bottom end of the market has been undercut by cheap imports and home-distilled vodkas which escape taxes. While a half-litre of Russian vodka costs about Rbs11,000 (£1.50), low-quality imported vodkas can be bought for half that in street kiosks. Illegally produced vodkas cost even less.

The influx of cheap vodkas from neighbouring countries is not new in Russia. In his book, *History of Vodka*, the author Mr William Pokhlebkin noted that the development of capitalism in 18th century Russia had disastrous consequences on the quality of local vodka production and the health of the common people.

"The quest for wealth brought cheap brands of Ukrainian potato and beet vodka, mainly from Kiev and Poltova provinces, on to the Russian market.

"These vodkas were sold only on draught and by the bucket, which led to the most unrestrained drunkenness," he wrote.

Mr Yarmosh predicted some relief for Russian distillers this year when a new law which attempts to limit imports and give local authorities greater powers to clamp down on illegal producers comes into force.

But Russian producers would continue to be hampered by financial problems and a lack of bottling capacity, he said.

## EUROPEAN NEWS DIGEST

# Perry upbeat on Bosnia peace

Mr William Perry, US secretary of defence, the first US administration official to visit Bosnia since the outbreak of war in April 1992, said he believed the parties were "sick of war" and "ready to put the hatred behind them".

Mr Perry played down criticism that Nato had failed to act over as many as 16 people being held by Bosnian Serb police. Bosnian Serb authorities yesterday released three people, but the Moslem-led Bosnian government said an additional 16 were still being held after crossing into Ilidza, a Serb-held suburb of Sarajevo. Mr Perry said in the absence of the international police force, which has not yet been despatched, Nato would do what it could to help resolve the matter. Lt General Sir Michael Walker, commander of Nato ground forces in Bosnia, yesterday met the local mayor of Ilidza, who claimed the people had been arrested for "criminal activities".

The 1,500-strong international police force has not yet been despatched because only the European Union has pledged funds for a civilian operations, said Mr Carl Bildt, high representative for civilian administration.

Former warring parties today are due to meet in Vienna for talks on arms reduction. The first step will be for the Bosnian Serbs and the Moslem-Croat federation to swap liaison officers. *Laura Silber, Belgrade*

## No new Creditanstalt tender

Austria's new finance minister, Mr Viktor Klima, yesterday ruled out another public tender for the 70 per cent government stake in Creditanstalt, Austria's second largest bank, and said he would negotiate with groups which have already submitted bids.

The announcement suggests that Mr Klima, a social democrat, is willing to sell the bank to a Conservative financial consortium led by EA-Generali, the local subsidiary of the Italian insurance group. The so-called Austrian consortium, which also includes First Austrian Bank, Commerzbank of Germany and several industrial interests is believed to be the only group that made a concrete offer for Creditanstalt when the government solicited bids last autumn.

Former finance minister Mr Andreas Staribacher, who resigned on Tuesday, called off the bidding process in October when the coalition government of Social Democrats and the Conservative People's party collapsed. The consortium is strongly favoured by the People's party but has so far been opposed by the Social Democrats. Efforts to find alternative buyers have failed as prospective bidders were discouraged by political uncertainty. The sale of Creditanstalt is expected to net over Sch10bn ($1bn). *Eric Frey, Vienna*

## Lithuanian PM to stay

Mr Adolfas Slezevicius, the Lithuanian prime minister, yesterday rejected opposition calls for his resignation following the Baltic country's recent banking crisis and dismissed speculation that the lita might be devalued.

"Some people would like me to resign but I won't ... let my opponents push me out of the political arena," he said. Opposition leaders demanded Mr Slezevicius's resignation after it emerged that the prime minister had withdrawn a substantial sum of money from the Innovation Bank two days before it was closed by the Bank of Lithuania. In an address on national radio yesterday, Mr Slezevicius defended his decision to withdraw the money, saying had he not done so the opposition would have accused him of having a personal interest in saving the bank. "You can always find a stick when you want to hit somebody," he said.

Mr Slezevicius said the banking crisis would not affect the pegging of the lita to the US dollar. "Unpegging is out of the question. The currency is guaranteed by our gold reserves and reserves of hard currency," he said. *John Thornhill, Moscow*

## Corinth bridge deal signed

The Greek government yesterday signed a Dr190bn ($803m) contract with an international consortium led by GTM, the French construction group, to build a toll bridge across the Corinth Gulf. The project is expected to open up an area of western Greece for development. The 2.3km bridge will link Rion and Antirrion, replacing a 40-minute ferry crossing which is closed during the winter. Because of transport difficulties, the provinces of Aetolo-Acharnania and Epirus have been neglected by investors and are among the European Union's least developed regions.

However, the Corinth Gulf seabed is an active earthquake zone and technical studies will take two years, while construction of the bridge will take a further five years. To reduce the risk of earthquake damage, the cable-stayed bridge, designed by SEEE, the French group's design subsidiary, will be supported on concrete piles sunk deep into the seabed.

The consortium will provide about 10 per cent of financing for the project through commercial bank loans. The Greek government will contribute 40 per cent, which is expected to include an Ecu200m ($254m) grant from the EU's cohesion fund for improving communications in poorer member states. The remainder will be covered through soft loans from the European Investment Bank.

Greece has been forced to seek private sector financing for several big infrastructure projects because of budgetary constraints and ceilings on EU grants. *Kerin Hope, Athens*

## France condemns attack

France yesterday condemned a bomb attack on a building housing a branch of a French bank and a French consulate in the Netherlands but avoided speculation that it might be a protest against its nuclear tests. The bomb badly damaged the building and blew out windows but no one was injured, said police (pictured left) who examined the surroundings of the building yesterday. Describing the attack as "a criminal or terrorist act", foreign ministry spokesman Jacques Rummelhardt said the bombing of the Paribas bank in Arnhem was primarily an affair for the Dutch authorities. Dutch police said there were no claims of responsibility but speculated that the attack could be a protest against France's nuclear weapons testing in the South Pacific. The fifth test in the series was carried out last week.

President Jacques Chirac's decision last year to resume nuclear tests, breaking a 1992 moratorium, touched off a storm of protests around the world. *Reuter, Paris*

## Disneyland clash injures 14

A clash at Disneyland Paris left 14 people injured during a union protest for higher wages at the theme park. The demonstration, the first involving injuries since the park opened in April 1992, took place at the weekend when about a dozen protesters tried to force their way inside, officials said yesterday.

Park attendants "tried to block them and there were injuries" among both protesters and personnel on duty, according to Mr Jacques-Henri Eyraud, a spokesman for the park's parent company, Euro Disney. No damage was reported and the park continued operating.

Unions representing the 8,000 workers at the park are demanding monthly salary increases of FFr1,250 ($250) for employees making less than FFr10,000 a month. They are also asking for a 4 per cent increase for employees who earn between FFr12,500 and FFr24,000 a month. Disneyland Paris was reported to be offering a 2 per cent increase plus an additional 1 per cent on merit. *AP, Paris*

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**NEWS: ASIA-PACIFIC**

# Thailand's finance minister faces sack

By William Barnes in Bangkok

Mr Amnuay Virawan, Thailand's deputy prime minister, was yesterday given "overall responsibility" for the finance ministry, forcing the incumbent, Mr Surakiart Sathirathai, into the background ahead of his likely dismissal in a March cabinet reshuffle.

Mr Surakiart's effective demotion, announced yesterday by Prime Minister Banharn Silpa-archa, is seen as punishment for his handling of the sacking last month of Mr Ekamol Kiriwat, the respected head of the Securities and Exchange Commission.

Mr Ekamol's dismiasal was widely viewed by the markets as a politically inspired move after be had sought asaurances from the government tbat the SEC would remain independent. That in effect sealed his fate.

The cabinet is unlikely to have opposed his dismissal and the task fell to Mr Surakiart, who is thought to have handled the dismissal badly.

Cabinet colleagues have distanced themselves from Mr Surakiart.

Premier Banharn Silpa-archa: announced move

"Prime Minister Banharn appears to have been told be's got a real political liability [by retaining Mr Surakiart]," said Mr Korn Chatikavanij, president of Jardine Fleming Thanakom Securities in Bangkok.

Mr Surakiart's relations with the financial community were already cool before his showdown with the SEC chief.

A Harvard-educated law professor, Mr Surakiart was a former top adviser to the prime minister before being given the finance portfolio after last summer's election victory.

Mr Surakiart had steered clear of trouble until the Ekamol affair, though he had been under criticism over the slide in share prices last year, a widening current account deficit and rising inflation.

Mr Ekamol's sacking has left particularly bad feeling, because, so far, Mr Surakiart has failed to produce evidence in support of his allegations of impropriety against a man who is widely seen as an bonest regulator committed to bringing the country's financial markets np to international standards.

Mr Ekamol has denied all charges against him. The markets have welcomed Mr Amnuay'a expanded brief. He is the former chief executive of the country's biggest private bank, the Bangkok Bank, and unlike Mr Surakiart has hands-on experience of international finance and banking.

# Bangkok shortlists nine consortiums for railway

By William Barnes

Thailand's Mass Rapid Transit Authority has shortlisted nine consortiums, out of 30 applicants, to bid for the $1bn contract to build the first 20km of Bangkok's underground railway.

There has been heavy interest because the Thai government has decided to pay for 86 per cent of the project itself and because the contractor will be well placed to extend the system later.

Tenders for the mechanical work – of roughly equivalent value – will be called for early this year. This is the fifth time bids have been invited since the first feasibility studies started in 1978. Although political inertia and bureaucratic wrangling has so far stymied the development of this and other mass transit projects, the MRTA's director, Mr Theerapong Attaharusit, is confident progress will now be made. .

The government dropped Bangkok Land, which was the priority bidder for a build-operate-transfer elevated railway, when it decided to fund an underground transit system for environmental reasons.

The shortlisted consortiums are Italian-Thai – Thailand's biggest development company with wide experience of large-scale infrastructure projects in Bangkok – in partnership with Obayashi and Nishimatsu, the Japanese construction groups; the German Philipp Holzmann group, leading a group of 14 German and Thai companies; Bilfinger & Berger, another German group that has joined forces with CH Karnchang, the powerful Thai group, and two Japanese companies, Kumagai Gumi and Tokyu Construction; France'a Sae international, leading a consortium that includes Britain's Tarmac gronp; and Japan's Kajima with Thailand's Siam Syntech Construction.

The remaining four consortiums are led by France's Bouygues group, Spain's Dragados y Construcciones, Japan's Taisei and Germany's Dyckerboff & Widmann group.

# Burmese opium warlord 'retires'

By William Barnes

The opium warlord Khun Sa, who this week "surrendered" to Burmese troops, will almost certainly be allowed to retire peacefully in Burma. His safe "retirement" appears to have been the price extracted for allowing soldiers of the Burmese military junta to seize his Ho Mong beadquarters near the Thai border.

At his beight Khun Sa was a high-profile and notorions enemy of Burma's military rulers. For years his self-proclaimed independent state in north east Burma proved to be a political embarrassment for the military junta, provoking unsnccessful military retaliation by the authorities. Khun Sa boasted of a large private army and said that he took part in the beroin trade only to belp "his Shan people".

Whatever bargain Khun Sa, a half-Shan, half-Chinese veteran of the international narcotics trade, has struck with the Burmese anthorities it is likely to have little impact on the flow of beroin out of the so-called "Golden Triangle" in north-east Burma.

There are sufficient active Cbinese and other "ethnic minority" drugs barons to ensure that the Golden Triangle remains the beart of the global beroin trade.

Khun Sa's rivals – notably the Wa hill tribe on the Ynnan border and the ethnic Chinese of the Kokang district – adopted, in contrast, a low political profile, the price for being allowed to ply tbeir trade. As a result, their relations with the military junta appear to be trouble-free.

The US State Department last year complained that yields from opium gum crops had risen threefold since 1988 partly because "tbe government of Burma continnes to treat counter-narcotics efforts as a matter of secondary importance".

The Burmese junta claims to have quietly encouraged drugs barons to switch their earnings into legitimate bnsinesses.

# Loans storm about to break

## Tokyo faces backlash over bailout, writes **Gerard Baker**

While Japan's protracted financial crisis has reached into almost every corner of the country's economic life, it has so far failed to make much of an impact on national politics.

But that is about to change in 1996. A political storm is brewing over the government's decision just before Christmas to authorise the use of taxpayers' money towards the bailout of the seven bankrupt bousing loan companies. Coming at a time of renewed political volatility it seems certain to damage seriously the government's authority and could influence the timing of the next general election.

Opinion polls show the decision to use at least Y685bn ($6.6bn) to pay off the creditors of the housing loan companies, or *jusen*, is deeply unpopular, and it is not difficult to see why.

The affair bas brought into the limelight three of Japan's favourite *bêtes noires* – bankers, regarded as overpaid and Incompetent; farmers, the recipients of vast aums of money in the form of subsidies; and bureaucrats, widely despised as elitist and occasionally corrupt.

The seven companies were founded by tha leading banks in the 1970s to provide homa mortgages, a field from which banks were excluded at the time. By the late 1980s they were deeply embroiled in the excesses of the bubble economy, lending vast sums for speculative development. After the collapse of prices over the last five years, they were in effect bankrupt by last year, with more than Y7,000bn of their Y13,000bn loans non-performing.

Their principal creditors were the banks which established them, and the nation's agricultural co-operatives.

Tbe banks relnctantly accepted the write-offs of most of their loans to the *jusen* as part of the liquidation deal, but the farmers' co-ops refused to bear more than a small portion of their losses, so the government stepped in to fill the gap.

As part of the 1996 budget proposals, the plan must be approved by the lower house of the Japanese parliament by the end of March. It will have a rough ride.

Presented with a golden opportunity to embarrass the government, Mr Ichiro Ozawa, the newly elected leader of the main opposition New Frontier party, has already seized the initiative. In New Year messages to his party, he pledged to fight the plan, promising to make the coming parliamentary session, which begins later this month, "the *jusen* session".

Since the coalition govarnment of Liberal Democrats (LDP), soclalists (SDP) and New Harbinger Party, has a large majority in the lower house, in principle the budget should not be in any danger.

The problem, bowever, is that aome government members are growing increasingly nervous about the popular backlash that might foliow if they vote for the plan.

The largest coalition member, the LDP, has little choice bnt to back the bailout. The

Ozawa: seized initiative

principal beneficiarles of the scbeme are the nation's farmers, one of the most powerful lobbies in the LDP.

Members of New Party Harbinger, the smallest coalition partner, are split on the plan, but they too have a political imperative which makes them likely to back it. Their leader is Mr Masayoshi Takemura, the finance minister, who will ultimately bear the responsibility of forcing the legislation through parliament.

The biggest potential threat comes from the socialists, the party of the prime minister, Mr Tomiichi Murayama. Tbe prime minister has already urged his colleagues to back the hailout but has received only muted support.

In any case the party is due to be disbanded this year and members are already in open division about which direction they sbould take. However, neither faction is enthusiastic about the *jusen* plan.

Against this background the government's hopes of ensuring the bailout is accepted will depend on some significant concessions.

The prime minister bas stated repeatedly that the price of tbe bailout must be the unrelenting pursuit of those responsible for tbe *jusen* mess. The usual suspects include politicians, bureaucrats and bankers. The government bopes the public, and therefore sceptical members of parliameot, will accept the rolling of the political tumbrels in exchange for passing the bailout.

Opposition members aud some socialists have indicated they would accept tbe heads of senior bureaucrats and some politicians. But the real struggle is likely to be over the list of names.

The process began last week with the resignation of the top bureaucrat at the finance ministry, Mr Kyosuke Shinozawa. Opposition politicians are pressing for it to be taken much further. They are particularly eager to see political responsibility carried by relevant ministers, and may also demand changes in the most aenior echelons of the finance ministry.

Few politicians expect the plan to be defeated outright. Aware of the implications for Japan's markets of the bailout's rejection, Mr Ozawa and colleagues seem likely to back it eventually.

But the price of their acquiescence will be high, and for the time being at least they can look forward to exploiting the government's discomfort.

Editorial Comment, Page 9

# Malaysia studies Vietnam refinery

By Robert Corzine

Conoco, the US oil company, and Petronas, the Malaysian state petroleum producer, say they are studying the viability of a Vietnamese refinery project abandoned by Total, the French oil group, last September.

The two companies are to undertake a joint feasibility study of the proposed refinery, which Hanol wants built at Dung Quat, a remote and relatively undeveloped location on Vietnam's central coast 130kms south of Danang.

Total walked away from the $1.2bn (£774m) project because of the proposed location and its lack of infrastructure. The area had been chosen by Hanoi for political, rather than commercial reasons, with the aim of boosting the economy of the poor central province.

Total wanted to build a refinery further south at Vung Tau, the main centre of Vietnam's oil industry, and near the offsbore oil fields and the main markets around nearby Ho Chi Minh City.

Mr Hassan Merican, Petronas presldent, said in Kuala Lumpur yesterday: "We have requested a 30 per cent interest in the refinery," which if built would be the first in fast-growing Vietnam.

Reuters reported that the LG group of Korea, formerly Lucky Goldstar, was also involved in tbe project, in which Daewoo, another Korean conglomerate, bas also expressed interest.

But a spokesman for Conoco, oil subsidiary of the Du Pont cbemical group, later said that only Petronas and Conoco were acting jointly and that it was too early to talk about the allocation of percentages among the potential partners.

# French aid group accuses Rwanda of theft

By Michela Wrong in Nairobi

A French medical charity expelled from Rwanda accused the government yesterday of theft, saying it had confiscated vehicles and communications equipment worth up to $700,000 (£454,500) and was planning to seize drugs worth another $200,000.

Médecins Sans Frontières (MSF), whose French wing was one of 38 non-governmental organisations ordered out on December 6, said Rwandan troops had taken 16 of its vehicles and communications equipment and were occupying its compound in Kigali, compiling a list of pharmaceutical stocks they obviously intended to confiscate.

"Because we have had no response from the government to our repeated requests for an official explanation for our expulsion, we consider the seizure of this equipment as theft," said MSF's André Le Sage.

Last month's expulsions were the climax of months of growing tension between the aid organisations and the government set up by the Tutsi-led Rwanda Patriotic Front (RPF), which seized control of the country in 1994, chasing out the Hutu administration responsible for genocide. Immediately after the fall of Kigali, scores of charities poured into the deserted capital. With no administrative structures in place they initially were a law unto themselves, opening offices and recruiting staff. The hundreds of four-wheel-drive vehicles they imported often appeared to be virtually the only traffic on the streets.

While many were internationally respected organisations, others were more obscure. A list compiled by the Rwandan government showed 158 entries and included such groups as Sustainable Agricultural Development for Orphans, Americans for African Adoption, Friends in the West, Reformed World Committee and the fundamentalist Safe Harbour International.

Many of the groups were underfunded and never bothered to go through the proper registration procedures once a new government was in place.

As time has gone by, the government's tolerance of such groups, regarded locally as job-creation schemes for expatriates, diminished. Aid workers said the government no longer appeared willing to meet or talk to the NGOs.

Diplomats have also increasingly queried the usefulness of funnelling foreign aid through the aid agencies when the government is having trouble raising the funds to build new prisons and reconstruct its war-shattered administration.

While recognising that the government is trying to clean up the NGO situation, MSF-France, the most prominent of the expelled agencies, said yesterday it believed it had been victimised for speaking out.

The agency had denounced army atrocities and issued a hard-hitting report on the appalling conditions in the over-crowded jails. The Kigali government, always highly sensitive to criticism from French quarters, was incensed when MSF estimated that up to 8,000 Hutus had been killed when an army operation to clear a Hutu refugee camp in Kibeho last year exploded into violence. The figure later proved exaggerated.

# Business leaders put their faith in Egypt's new PM

By James Whittington in Cairo

As Mr Kamel Ganzouri, Egypt's new prime minister, began putting together a fresh cabinet yesterday, the mandate for his premiership was no doubt ringing in his ears.

Announcing the unexpected change in government on Tuesday night, President Hosni Mubarak declared that the new administration would prepare Egypt for the 21st century by raising standards of living and renewing the impetus of economic reform.

It is not the first time an incoming prime minister has been charged with rejuvenating Egypt's depressed and antiquated economy. Mr Atef Sedki, the outgoing and ailing premier, who like Mr Ganzouri holds a doctorate in economics, was appointed by the president in 1986 on a similar platform.

While Mr Mubarak keeps a firm hand on the country's defence, security and foreign policies, he allows some flexibility in management of the economy.

In Mr Ganzouri, 62, he said he was looking for someone who would speed up and "give an impetus and activate [economic] development".

Policies are not expected to change much, but business leaders and the main donor countries hope Mr Ganzouri will succeed where Mr Sedki failed, by pushing ahead with faster and deeper reforms.

Although it embarked upon serious economic reform rather late in the day, the previous administration has been credited with overseeing the transition to macroeconomic stability.

Inflation, at 4.9 per cent in November, is at its lowest in more than 30 years. The budget deficit has been slashed to 1.7 per cent of gross domestic product from 17 per cent four years ago. Foreign exchange reserves had been built up to about $18bn (£12bn) at the end of 1995.

However, there has been a failure to maintain the momentum of reforms and no real attempt to embark on privatisation, deregulation and the removal of trade barriers.

As a result, immense structural problems continue to plague the country's development. A quarter of Egypt's 60m people live on less than $35 a month, according to the World Bank; unemployment is officially 20 per cent and unofficially much higher; and economic growth barely keeps up with a population growing at 2.2 per cent a year.

Such problems should certainly not come as a surprise to Mr Ganzouri. Appointed planning minister in 1984 and deputy prime minister in 1987 he has been at the heart of government for 12 of Mr Mubarak's 14 years in office.

"If one is to judge him on the basis of his career so far, he is pro-central planning and pro-public sector," said Mr Said el Naggar, a prominent economist who has little confidence that the new government will amount to anything more than a shuffling of cards.

Mr Maghdi Hussein, editor of Al Shaab, one of the most vocal opposition newspapers, argues that the only reason the new administration was announced this week was to absorb some of the anger felt by ordinary Egyptians after last month's controversial parliamentary elections in which the ruling National Democratic party swept away nearly all opposition candidates.

However, Mr Ganzouri has left a favourable impression on officials of the International Monetary Fund and World Bank after his active role in discussing economic reform with visiting delegations.

Furthermore, leaders of Egypt's business community seem to like him. "[Ganzouri] has emerged as pro-private sector over the past year or so," said Mr Raouf Ghabbour, who owns one of the country's biggest car assemblers.

Others point to a number of disputes with the public sector in which the new premier has sided with free enterprise.

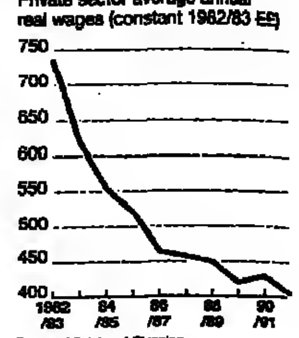
Most recent is the row over the private sector's marketing and selling of cotton which has been attacked by some in the government as "irresponsible profiteering".

One senior government official said his main hope lay in improving co-ordination in the cabinet between various economic portfolios which broke down under Mr Sedki.

"At the end of the day Egypt's prime minister remains an office manager. But if he runs an efficient office and is persuasive with the executive [ie. the president] then he can be effective," he said.

Egypt: average wages

Private sector average annual real wages (constant 1982/83 E£)




Source: Ministry of Planning

# Brazil acts to speed up reform moves

By Angus Foster in São Paulo

Brazil's Congress will be recalled for a special six-week session from Monday in a government effort to speed up approval of reforms originally due to be passed last year.

President Fernando Henrique Cardoso, who met top advisers yesterday, decided to recall Congress from its annual recess because of the urgency of some of the reforms. Approval had been delayed by opposition to some of the more controversial proposals, and by two scandals which hit the government and Congress late last year.

Mr Marco Maciel, vice-president, said six proposed reforms would be priorities in the special session. They included changes to taxation, social security and the civil service and an extension of emergency measures to help balance the budget.

A separate proposal, to break the government's monopoly on reinsurance business in Brazil, will also be emphasised. Congress will also be asked to approve a new tax on financial movements, to help fund Brazil's creaking health system.

The reforms are seen by analysts as vital to reduce government spending commitments and streamline its finances. But the implied spending cuts have angered many powerful interest groups and were partly responsible for last year's delays. The government has warned that if the emergency budget measures are not approved quickly, this year's trimmed spending commitments will face further cuts.

The mood in Congress appears to have improved since before Christmas, when scandals over an Amazon radar contract and illegal election funding had weakened Mr Cardoso's coalition of supporters. But both scandals could yet return to haunt the government.

Mr Cardoso last month reaffirmed his support for the $1.4bn Amazon radar project, but stressed that the final go-ahead for the plans rested with the Senate, where its financing still needs approval.

Earlier three members of Mr Cardoso's government resigned in an influence-peddling scandal indirectly linked to the project.

Some reforms, such as the budget measures, are opposed by powerful congressional leaders while others, including changes to the social security system, are opposed by many.

Success or failure during the special session may determine the government's performance for the whole year – ministers admit a slow start would be damaging. Little progress is expected in the second half of the year, once campaigning gets under way for municipal elections due in October.

Many congressmen intend to contest the elections, so will not want to vote for unpopular reforms. The two parties which form the bulk of Mr Cardoso's congressional backing will also be disputing many important municipalities, which could further strain their alliance.

# Ailing bank put in private hands

Banerj, the troubled Brazilian bank owned by the state of Rio de Janeiro, moved closer to privatisation yesterday when a private sector bank took administrative control, Angus Foster reports from São Paulo.

Banco Bozano, Simonsen, one of the most active banks in Brazil's privatisation programme, will control Banerj for about a year and prepare it for privatisation. Bozano, Simonsen won the right to administer Banerj in a public competition late last year.

Banerj, along with many Brazilian state-owned banks, has suffered from years of political interference. Most analysts believe it needs recapitalising and a programme of job cuts to compete against private banks.

Rio's state goverment has been praised by the central bank for its determination to privatise Banerj. The state of São Paulo has blocked privatisation of its even more troubled Banespa bank.

The privatisation of Banerj will be opposed by employees and unions. On Tuesday, during a ceremony to hand control to Bozano, Simonsen, the bank's head office was evacuated after a bomb hoax.

Hanan Ashrawi, former peace negotiator and candidate in Jerusalem, campaigning yesterday. A champion of human rights, she says PLO leader Yassir Arafat has curbed press freedom *Reuter*

# Palestinian candidates tout intifada credentials

By Julian Ozanne in Ramallah

The Palestinian election campaign got under way in earnest yesterday in a flurry of activity and confusion.

In the West Bank and the Gaza Strip young men put up campaign posters on walls and on billboards above roads and distributed campaign leaflets advertising the merits of some of the 750 candidates running for an 88-member legislative council to be elected on January 20.

In Syngil, a small West Bank village between Ramallah and Nablus, seven candidates representing most of the Palestinian political spectrum participated in the first organised public debate. Almost the entire village crowded into a small makeshift concrete hall to hear the candidates emphasise their personal credentials in the intifada, the battle against Israeli occupation.

In a reflection of the popular mood, few candidates are willing to praise the Israeli-Palestinian peace accords which have led to the elections and almost all candidates promise clean government and a tough line in future negotiations with Israel.

Mr Mustapha Barghouti, a candidate for the People's Party of Palestine in the Ramallah electoral district, told the crowd that the election was about genuine democracy. "It has to be about equality before the law and equity means everybody has the same chance to get jobs." he said in an apparent criticism of patronage in the allocation of jobs by the Palestinian Authority.

Mr Azmi Shuabi, who served as "minister" for youth and sports on the recently disbanded Palestinian Authority warned voters against being swayed by loyalty to tribe, clan and family.

But as the campaign went into full swing yesterday there was still deep confusion about the electoral process and the potential partiality of the Palestinian Central Election Commission. Hundreds of foreign election monitors, few of them with a working knowledge of Arabic, were trying to grapple with the complexities of the first Palestinian elections.

# Peace hopes lift spirits in Israel and N Ireland

By Diane Summers, Marketing Correspondent

The Arab Gulf states and Israel have emerged as the nations most optimistic about their prospects for 1996, while Hong Kong and Hungary are the most pessimistic.

The findings come from a survey, conducted in November and December, of more than 58,000 people in 50 countries questioned by Gallup International, a worldwide association of market research companies.

Asked whether 1996 would be better, the same, or worse than 1995, 68 per cent of respondents in the Gulf states and 66 per cent in Israel thought it would be a better year. Optimism was also high in Northern Ireland, where 65 per cent said it would be better.

Gallup International said the "imminent spread of peace in the Middle East may account for Israel and the Gulf states' top-of-the league placings. Similarly, perhaps the continuing peace in Northern Ireland accounts for their own third place".

Behind Northern Ireland, the most optimistic populations were found in New Zealand, South Africa and Brazil.

At the opposite end of the rankings, 62 per cent of respondents in Hong Kong thought this year would be worse than last. Gallup International said: "Perhaps fears about 1997, rather than views on 1995, are really behind Hong Kong's replies, which show them as the most pessimistic country in the world." At the end of 1994, only 29 per cent of those in Hong Kong were pessimistic about 1995.

A similar poll last year showed Hungary and Zimbabwe as the glummest nations – this year they are still second and third most pessimistic behind Hong Kong.

The greatest change has been in Mexico, Gallup reports. "Last year's survey saw them ranked as the eighth most optimistic nation, with 54 per cent believing 1995 would be a better year than the previous one. But economic collapse has blighted their optimism and so, in this survey, 45 per cent of Mexicans believe 1996 will be worse than 1995," it said.

Given the increasing disenchantment with market economics in some eastern European countries, Gallup said it should not be surprising to find Hungary, Ukraine, Lithuania and Russia among the ranks of the pessimists. But, it added, "it is more of a surprise to find European Union members Belgium and Greece amongst the list, particularly when other EU members feature prominently as optimists".

## INTERNATIONAL NEWS DIGEST

# Mexico exports lifted by peso

Mexico recorded a trade surplus of $6.9bn for the first 11 months of last year, compared with a deficit of $16.8bn for the same period in 1994, according to figures released by the commerce ministry. Exports increased 31.6 per cent to $73.1bn, fuelled by the sharp devaluation of the peso, while imports fell 8.4 per cent to $66.2bn.

Increases in exports were particularly marked in agriculture and mining, both of which registered rises of almost 60 per cent. However, industrial exports, which rose 32.7 per cent to $61.2bn, and petroleum exports, up 13.5 per cent to $7.7bn, represented far more of total trade.

● Lower short-term interest rates and upwards movements in markets worldwide helped the Mexican stock exchange to climb above 3,000 points for the first time yesterday. In later trading the bolsa fell back to 2,993 points, with the peso strengthening 1.5 per cent to 7.56 to the dollar.

Analysts said that greater currency stability, in part brought about by Banco de México's intervention, had allowed interest rates to continue their recent fall. "People are also bringing money back because they think that the political situation this year may be clearer and more stable than in 1995," said Mr Félix Boni, head of research at James Capel in Mexico City. *Daniel Dombey, Mexico City*

## Yemen and Eritrea 'nearer deal'

Yemen and Eritrea were moving closer to settling their dispute over three Red Sea islands, an Ethiopian mediator said yesterday. Mr Seyoum Mesfin, Ethiopian foreign minister, told Saba, the official Yemeni news agency, that he had handed President Ali Abdullah Saleh of Yemen a draft agreement.

He did not elaborate on the proposal, but diplomats said it called for the immediate withdrawal of Eritrean troops from the island of Greater Hanish, followed by negotiations on all aspects of the dispute. Mr Saleb said he wanted to settle the problem, but criticised Eritrea for failing to specify whether it was seeking a solution to the Greater Hanish problem or to the feud over all three islands.

Ethiopian officials hava been shuttling between Sana'a and the Eritrean capital of Asmara to mediate in the conflict which flared np in mid-December, when Eritrean forces took control of Greater Hanish.

The island sits astride shipping lanes 160km north of the Bab el-Mandeb Strait, the main entrance to the Red Sea. The two nearby contested islands, Zuqar and Lesser Hanish, are at present under Yemeni control. *AP, Sana'a*

## Clinton nominee for trade post

President Bill Clinton said yesterday he planned to nominate Mr Stuart Eizenstat, who is serving as US representative to the European Union, to be under-secretary of commerce for international trade.

If his nomination is confirmed by the Senate, Mr Eizenstat will administer the commerce department's international trade administration, managing trade policy development, export promotion, investment policy and commercial relations.

He was chief domestic adviser to President Jimmy Carter and later held a number of positions in the private sector and academic world. *AP, Washington*

# Cuba comes out of shell to search for allies

**Pascal Fletcher** reports on Castro's tireless globetrotting to ward off isolation and boost island's trade

Last year may be remembered as the one in which Cuba's President Fidel Castro travelled more widely than ever before in more than 35 years at the helm of the island's socialist revolution.

In 12 months, the 69-year-old Cuban leader visited Europe, the Caribbean, Latin America and the United Nations in New York. He finished the year in December with an extensive two-week tour of Asia, making a first trip to China and also visiting Vietnam and, briefly, Japan.

Mr Castro's globetrotting is part of a diplomatic offensive that has gathered pace over the last two years. Its aim is to ward off the threat of isolation posed by a continuing US economic embargo against the island and the absence of the Soviet-led communist alliance that was Cuba's biggest economic, political and military support for three decades.

"These visits show that, contrary to what our enemies say, Cuba is neither isolated nor alone," a senior Cuban Foreign Ministry official said.

The main enemy continues to be the US government which seeks to portray the communist-ruled island as a pariah state on a par with Iran or Iraq. Cuba has not forgotten the snub of its deliberate exclusion from the December 1994 Summit of the Americas hosted by President Bill Clinton in Miami.

So Cuba is reaching out for friends abroad: especially those who will support its counter-campaign against the US embargo and boost the island's struggling economy with trade, investment or, even better, financial credits.

Mr Castro is not the only member of the government who has clocked up flying hours over the year. Cuba's youthful foreign minister, Mr Roberto Robaina, now travels so often that he calls himself a "careering diplomat". Mr Francisco Soberon, central bank president, visited Cuba's main creditor nations in September in an effort to unblock stalled Cuban debt negotiations.

This diplomatic flurry contrasts sharply with the defensive mentality of the early 1990s, when the Cuban leadership was still struggling to come to terms with the abrupt collapse of the Soviet bloc alliance.

Cuba is also seeking to cement friendships with old enemies. Touring China in early December, Mr Castro said the two nations were like brothers. But many Cubans remember the ideological war of words between Havana and Beijing in the 1970s, which reached its peak over the brief Chinese invasion of Vietnam at the end of the decade.

Now Cuba wants to learn how these countries are combining capitalist-style reforms with one-party socialism.

Many of the states visited by Mr Castro were hosting big international meetings. For example, a world forum on social issues in Copenhagen in March, the inaugural summit of the Association of Caribbean States in Trinidad and Tobago in August, the Ibero-American summit in Argentina in October and the non-aligned summit in Colombia the same month.

These provided the Cuban leader, who can still generate considerable charisma, with international platforms from which to publicise his stand against the US and his government's new policies of economic reform and opening to foreign investment.

One world stage which he used to his advantage was the United Nations 50th anniversary celebration in New York in October. He shrugged off official snubs from Mr Clinton and the mayor of New York, addressed public rallies, met US business leaders and churchmen and commanded massive media attention. Cuban state media hailed the trip as a "victory".

Cuban officials point to the overwhelming UN General Assembly vote on November 2 calling on the US to lift its embargo as an example of how the diplomatic campaign is paying off.

Underpinning the new, outward-reaching mentality in Havana is increased confidence about the situation at home. "He [Mr Castro] must be 100 per cent sure of things at home to spend so long outside the island," one Havana-based diplomat said.

The Cuban leader clearly feels confident enough to leave the day-to-day running of the nation in the hands of his younger brother, Mr Raul Castro, the defence minister, and a small group of younger officials who have been taking increasing responsibility, especially for economic matters. Prominent among these is vice president Carlos Lage, in his early 40s, who appears to be acting as a kind of *de facto* prime minister.

Cuba's rulers, from Mr Castro downwards, are upbeat about the future. They repeat, like a mantra, the following argument, evoked most recently by Mr Raul Castro: "Today people in the world are not talking about whether Cuba will disappear or not. They are discussing how long it will take us to completely recover."

Cuban officials regularly cite a raft of statistics to back their assertions that the economy is beginning to grow again after four years of contraction, that foreign investment and exports are increasing and that financial and monetary reforms are starting to bear fruit.

# Opposition leader woos Japanese investors

By Robert Shrimsley, Lobby Correspondent

Mr Tony Blair, leader of Britain's main opposition Labour party, will tomorrow seek to reassure Japanese businessmen that a Labour-run Britain will remain an attractive prospect for inward investment.

The Labour leader, who begins a short tour of Japan and Singapore today, will tell an audience of Tokyo businessmen that under Labour there will be "no return to uncompetitive rates of taxation".

Mr Blair will say that Labour is dedicated to free trade and believes in regulation of markets in a climate of low-state interference, low inflation and no wholesale repeal of trade union reforms.

He will also argue that his party's plans to invest in reskilling and educating the workforce make Britain a "better bet" under Labour.

Mr Blair's wider message is that Labour is ready for the challenges of increased globalisation, which he will describe as the "defining economic movement of our time". Preparing for the resulting increase in job insecurity and displacement of people and businesses, requires a substantial investment in "human capital".

Labour's desire for a "high skill, high technology economy" with a well trained workforce presents the best hope of meeting the challenge. A further dimension to Labour's international push will see Mr Gordon Brown, the shadow chancellor, flying to Washington today to meet Mr Robert Rubin, the treasury secretary and other senior members of the Clinton administration.

In Singapore Mr Blair will meet Mr Chris Smith, his social security spokesman, who is there to study its welfare system, the Central Provident Fund, as part of his own review of Labour's benefits policy.

While the Labour leader was en route to Japan yesterday his deputy, Mr John Prescott, was heading a strong attack on the attempts by Mr Arthur Scargill, the miners' leader, to launch a new socialist party.

As details of the intended new constitution of the Socialist Labour party (SLP) emerged, Mr Prescott derided it as "a lot of buffing and puffing".

The nine-page document, drafted by two leading QCs, states that those who "join or support" any other political body would be ineligible for membership of the new party.

This would prevent hard-left Labour members from belonging to both parties. However, Mr Prescott said there was never any chance of Labour allowing dual membership.

"If Arthur was to establish his own party and was clearly against the aims and interests and the constitution of the Labour party, he would no longer be a member of the Labour party."

Mr Kim Howells, Labour's trade and industry spokesman and a long-standing opponent of Mr Scargill, was more scathing, describing the leader of the Miners' union as a "complete megalomaniac" and calling for his speedy expulsion from the Labour party.

## UK NEWS DIGEST

### Car workers set to reject offer

The majority of Vauxhall's 7,700 manual workers are today expected to reject the motor group's three-year pay offer, in spite of a narrow vote yesterday in favour of acceptance by a mass meeting of AEEU engineering union workers at the Ellesmere Port plant in Cheshire.

Members of the TGWU general union will hold a mass meeting at Ellesmere Port today, and members of both unions will also attend a joint mass meeting at the group's Luton plant in Bedfordshire. The offer is a 4.5 per cent basic pay increase in year one, followed by the rate of inflation for the next two years. The General Motors subsidiary has also offered to cut an hour off the 39-hour working week.

Union negotiators last month reluctantly recommended the offer, but workers are unhappy about proposed changes to working conditions.

Meanwhile, a meeting next week will make final arrangements for a strike ballot of Ford's 22,000 manual workers, whose negotiators have unanimously rejected the company's "final" 9.2 per cent two-year pay offer. *Andrew Bolger*

### Nissan opens £10m data centre

Nissan, the carmaker, has set up a £10m ($15.3m) European data centre in north-east England to control production at its Sunderland and Barcelona manufacturing sites and to administer the company's European vehicle distribution network.

The centre, which has just become operational, is based at Nissan's plant in Sunderland, Tyne and Wear. It integrates existing computer systems used by the Japanese carmaker at its two European vehicle plants and its distribution network. The new centre is expected to improve the company's efficiency. The investment has created about a dozen new jobs at the Sunderland plant. *Chris Tighe, Newcastle*

### Life companies question ranking

Wide-ranging information showing which life assurance companies charge customers the most for certain types of policy was published yesterday by Britain's Personal Investment Authority, the watchdog which protects the interests of private investors.

The move sparked opposition from some life companies, which questioned whether publishing these figures was a proper job for the industry's regulator and whether the tables of numbers would be useful to consumers. The PIA released the information, which relates to policies being sold on October 1 1995, to coincide with the first anniversary of the new regime requiring sales agents and advisers to tell investors more about the policies and charges they might pay.

The PIA said it was publishing the figures as part of its commitment to an open and transparent market. The regulator also released the first figures compiled on a common basis across the sector for the rate at which customers give up long-term policies early. *Alison Smith, Financial staff*

### Summer visitor numbers up 12%

The number of overseas visitors to the UK rose 12 per cent in the three months to October 1995, compared with the same three months the previous year, according to figures issued yesterday by the Central Statistical Office.

A total of 6m visitors spent £2.8bn during the period, 10 per cent up on 1994. Ms Adele Biss, who chairs the British Tourist Authority, said the figures indicated it had been the best October on record. Visits abroad by UK residents rose by 3 per cent during the three months to 10.4m, with spending rising 6 per cent to £3.8bn. *Diane Summers*

# Lottery ticket sales set to defy the odds

By Daniel Green

More than 80m lottery tickets are likely to be sold this week to a population mesmerised by the prospect of the biggest UK National Lottery jackpot yet.

The punters' rush for a chance to win a "double rollover" top prize likely to be worth about £35m ($53.5m) – accumulated after two weeks without a jackpot winner – has not been slowed by statements yesterday from Oflot, the lottery regulator, that tickets were "a bad bet" and from Camelot, the lottery operator, that anyone spending millions of pounds on the lottery to guarantee a win were "crazy".

Their pronouncements came after tabloid newspapers revived the idea that an Australian syndicate was prepared to pay £14m to buy enough £1 tickets to cover every possible winning combination. Oflot and Camelot insisted that even if a syndicate overcame the practical problems of filling in millions of tickets, it would have a less than 50 per cent chance even of recovering its stake.

The proof lies in the difference between the odds of winning and the likely return.

The odds of guessing the six correct numbers out of 49 is about one in 14m. Buying 14m tickets – one for every combination of six numbers – would guarantee winning the jackpot.

A £14m bet that would return £35m looks good. But the prize in the National Lottery is divided between however many people guess the winning combination.

With 80m tickets sold, and only 14m possible combinations of numbers, each combination will have been picked almost six times on average. A £14m stake may be certain to win, but the odds are thet its share of the jackpot would be one sixth, or roughly £6m – a loss of £8m. The statistics have not stopped long qneues forming at lottery ticket outlets. Camelot said 5m tickets were sold on Tuesday, normally one of the slowest days of the week for sales.

Enthusiasm may be being fuelled by stories that the sheer size of the top prize has attracted the attention of the Australian-based International Lotto Fund, which is reputed to have made 12 big lottery wins.

When the Australian syndicate won $27m in the US's Virginia state lottery in 1992, it had been able to buy many of its 5m tickets 10,000 at a time from a grocery chain's headquarters.

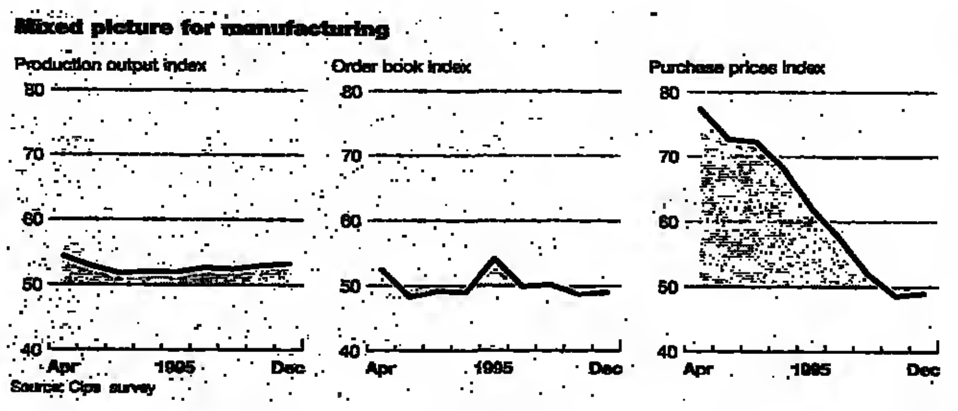
wins around the world.

But any syndicate would still have to fill in the millions of entry tickets by hand before Saturday evening's draw.

**Economy** Companies report acceleration in rate of job creation

# Slight fall in manufacturing prices

By Gillian Tett, Economics Correspondent




Fresh aigns that price pressures remain anbdned in the UK manufacturing sector emerged in a business survey yesterday.

The purchasing managers index, which asks 300 companies abont the cost of the goods they purchase, showed that slightly more prices fell last month than rose.

This was the second consecutive month in which prices were slightly lower, and marks a contrast to the pattern seen earlier last year when most prices were said to be rising.

The data are likely to be welcomed by the chancellor, who has argued that price pressures in manufacturing would ease towards the end of 1995.

However, other elements of the survey painted a mixed picture of manufacturing activity. There is still little sign of a sharp decline in activity, according to the survey. But there is also little evidence of the type of sharp rebound forecast by the Treasury.

The level of new orders reported by companies fell back between November and December for the second consecutive month.

This fall may have reflected a decrease in companies' stocks of finished goods, as businesses met demand from warehouses rather than making fresh purchases.

But companies were also less concerned about their excess stocks in December than November – suggesting that there is no widespread destocking panic.

Businesses still continued to increase their output – at an even faster rate than the previous month. The ontput index in December was 53.3 per cent. According to the way the survey is conducted, any figure above 50 per cent indicates monthly growth.

Companies also reported a slight acceleration in their rate of job creation, which may also indicate growing confidence in the future.

Consequently, the overall purchasing index, which collates data on stocks, prices, ontpnt, delivery times and orders, recorded a level of 50.7 per cent in the month, np from 48.9 per cent in November.

This patchy picture yesterday prompted a mixed response from the City.

Some economists, like Mr Jonathon Loynes of Midland Global Markets, suggested that it showed that manufacturing activity remained very weak – and could weaken further.

But others argued that the survey should scotch fears that manufacturing could be beading for a slowdown.

Broken down on a sectoral basis, the strongest upturn in output was reported in the consumer and intermediate goods industries, with investment goods sbowing greater weakness in both output and orders.

The investment goods sector reported the strongest prices rises, with prices in the intermediate goods sector said to be falling.

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**The UK's official reserves fell by $348m (£226m) in December, the Treasury said yesterday, *Gillian Tett writes.***

This brought the overall level of reserves to $46.99bn at the end of 1995, down from $47.33bn at the end of November. Measured without erratic items, however, the underlying change in tha reserves was a fall of $36m.

Erratic items not counted in the underlying figure Inclnde Ecu Treasury bill proceeds, repayment of long-term debt and repayments made under the public sector exchange cover scheme, whicb protects the public sector against foreign currency fluctuations.

Repayment of long-term debt redneed the reserves by $146m.

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# Pressure for further action on reform of competition law

**Stefan Wagstyl** on criticisms of the British government's stance

When later this year the British government begins public consultations on its plans for reforming UK competition law, it might reflect on the experience of the people of Darlington in northern England.

Their municipal bus company was driven out of business in 1994 after Stagecoach, the national bus operator, moved into the area, offering free travel for five weeks and poaching its drivers.

As passengers, local people were delighted at the results of such competition. But as council-taxpayers, they were less pleased when the 100-year-old bus company went into receivership, with a loss of £1.4m ($2.14m) for Darlington's local authority.

The Monopolies and Mergers Commission described Stagecoach's tactics as "predatory and deplorable". But despite such condemnation, the company cannot be sued by those who have lost money. As Mr Nick Wallis, chairman of Darlington council's transport committee, says: "The MMC produced a first-class report. But there was no redress."

Critics of the regulatory regime – led by the Consumers' Association and small business groups and supported by the opposition Labour party – believe that radical reforms are called for to outlaw such predatory practices. These would include punishing those found guilty of "anti-competitive" behaviour with fines and exposing them to claims for compensation.

Yet little in the government's tentative plans for overhauling the system would prevent a repetition of the sort of tactics used in Darlington – or compensate victims. Mr Ian Lang, the trade and industry secretary, indicated that a modest reform was all that was required when be announced plans last year to publish a consultative paper on competition policy early in 1996.

The existing system largely excludes the courts from competition issues, dividing responsibility between three authorities:

- The Office of Fair Trading handles preliminary investigations into alleged cartels and anti-competitive practices, as well as into planned takeovers.
- The Monopolies and Mergers Commission carries out in-depth studies.
- The trade and industry secretary generally has final autbority over action taken against companies found to be acting in breach of the public interest. His main sanction is the administrative order, which can ban an anti-competitive practice or forbid a merger. He can also impose conditions on a company – such as requiring it to aell parts of its businesses.

The only involvement of the UK courts in competition policy comes with cartels which are illegal unless they have been approved by the Restrictive Trade Practices Court. The court gives its approval if it thinks a cartel operates in the public interest – as it did for many years with the recently defunct Net Book Agreement, which controlled book prices.

This UK system operates alongside the mnch tougher regime of the European Union, which governs EU-wide competition matters such as cross-border mergers and allegations of anti-competitive practices in international markets such as steel.

Advocates of reform argue that the system leaves so much to the discretion of the trade and industry secretary that it is prone to fall under political influence. They claim that the Conservative government has used this discretion to avoid intervention and to favour big business. In 1989, for example, the government watered down recommendations by the Monopolies and Mergers Commission to weaken the links between brewers and pubs after intense lobbying by the industry.

Advocates of reform argue that privatisation has made change more urgent by creating a new breed of giant companies operating in monopoly or near-monopoly markets. Last month Mr Don Cruickshank, the telecoms regulator, warned that the further liberalisation of telecoms would be delayed unless he was given extra powers to deal with anti-competitive practices at British Telecommunications.

Reform has been on the Tories' agenda since the late 1980s when trade ministers such as Mr Peter Lilley and the late Lord Ridley boped to change competition law to promote more red-blooded capitalism. But there has been little progress since Mr Michael Heseltine returned to the cabinet in 1990. He took charge of the Department of Trade and Industry in 1992 and has retained influence over economic policy since his move to deputy prime minister. Mr John Kay, professor at the London Business School, says: "Heseltine instinctively supports national champions."

Ministers deny any bias or weakening in the enforcement of competition law. Mr Jonathan Evans, until recently the minister for competition policy, says: "We snpport a dynamic competition policy."

DTI officials point out thet no evidence of bias towards big companies was found during a critical examination of competition policy last year by the Commons trade and industry committee. However, it concluded there was too mnch "political intervention" in competition issnes and urged strengthening the regulatory framework.

The committee called for a merger of the Office of Fair Trading and the Monopolies and Mergers Commission into a single anthority to avoid duplication and speed up investigations. This proposal also has powerful support from Sir Bryan Carsberg, the former director-general of fair trading.

The committee also backed the adoption of the prohibition principle in competition law, which would involve outlawing cartels and abuses of monopoly power. There would be fines for offenders, and victims of anti-competitive practices would be able to sue for damages.

"We need criminal sanctions to make companies think twice," says Mr Stephen Locke of the Consumers' Association.

One advantage in adopting the prohibition principle is it is already applied in EU-wide competition policy. UK companies with experience of doing business in other EU countries are thus familiar with it.

The government is considering adopting the prohibition principle for cartels, because such producer agreements are relatively easy to define and police. It would simplify the cumbersome procedures for declaring cartels illegal and make it easier for victims of cartels to seek redress.

Bnt ministers say blanket prohibitions against anti-competitive behaviour would be difficult to define and supervise and would involve business in too many costly legal actions. And the government is opposed to bringing the courts into competition law, since this would impose new red tape and heavy legal expenses on business.

Ministers also oppose the committee's recommendation for merging the two bodies – they believe the separation of anthority prevents abuse of power. They like what Mr John Bridgeman, director-general of fair trading, calls the "delicate balance" of the existing institutions.

The government is considering boosting the Office of Fair Trading's powers to accelerate its investigations and make them more rigorous by giving officials the right to seize documents from unco-operative companies. It wonld also be given important rights to slap injunctions on companies while they are under investigation to prevent them repeating suspected abuses during the probe. But the last word on competition issues would remain with ministers.

The government's stance is largely endorsed by the Confederation of British Industry, with most large companies supporting the government'a approach, according to Mr George Mason, CBI policy director. However, more radical change to harmonise the UK with EU competition rules is favoured by some companies with extensive European-wide businesses.

As more British companies increase their activities in other EU states, the balance of opinion among big businesses could shift towards a more general prohibition system. But for the moment, the government is unlikely to bring forward more radical reforms. Like the people of Darlington, victims of predatory behaviour will be left without redress.

TECHNOLOGY

# When the eyes have it

Computers have overtaken human brains as calculating machines. They have recently beaten the best chess players. But in some information processing tasks brains still outperform supercomputers.

Seeing is one such task. Receptors in the eye convert light into electrical signals for analysis by the brain. Electronic hardware can capture images but analysis requires human intervention. Recently it has become clear that the brain analyses different aspects of the image – particularly colour, encoded by differences between the signals from wavelength-selective "cone" receptors, and motion, encoded by variations in timing of sigoals from different locations – in different processing modules.

In the journal Nature, Simon Cropper, of the University of Wales at Cardiff, and I show that there must be another module that combines the tasks and analyses the motion of coloured stimuli. One indication that colour and motion are analysed separately is that the motion of a coloured stimulus with no variations in brightness is hard to see. The brain uses colour to distinguish objects from their backgrounds; our colour vision probably evolved to detect fruit against foliage.

Brightness is the primary source of information about motion. It was thought that colour signals motion either by weakly activating a mechanism selective for brightness, or because we gradually notice that a coloured object is no longer where it was.

Cropper and I dismiss this second possibility by showing that humans can tell the direction a colour stimulus moves when it only lasts 17 milliseconds, not enough time to analyse changes in location. Subdividing the task of image analysis in this way may eventually allow computers to compete with brains.

**Andrew Derrington**

*The author is professor of psychology at the University of Nottingham.*

Technological revolution: Atlanta is set to become one of the best-wired cities in the world for multimedia communications

# State of the art

## Atlanta has installed telecommunications fit for the Olympic Games and beyond, reports **Victoria Griffith**

The modern Olympic Games have left a trail of glittering sports stadiums and other structures around the globe since their inception. At the 1996 event in Atlanta, Georgia, a new sort of legacy will be passed on after the competitors have gone home, one that may be just as important as tha grandiose new Olympic Village itself: state-of-the-art telecommunications technology.

As cranes and construction crews erect new facilities above ground, an tovisible transformation is taking place beneath Atlanta's streets and along its airways.

Nearly 150 miles of fibre optic cable is being laid in the Olympic Village alone, and the private sector is putting together a telecommunications service sophisticated enough to make any corporation drool.

Atlanta is set to become one of the best-wired cities in the world for multimedia communications, an accomplishment the city believes should continue to attract businesses to the area long after the Olympic banners are put away. (The city has scored some high visibility coups over the last few years, when it convinced courier service UPS and Holiday Inn Worldwide to relocate there.)

"The Olympics is already worth about 10,000 jobs a year, and the new technological infrastructure will continue to fuel economic growth through the end of the century," predicts Donald Ratajczak, director of the Economic Forecasting Centre at Georgia State University.

Until now, the main focus of an Olympic host city has been on how to build the necessary physical infrastructure, and what to do with it after the Games were over. These worries have not been set aside for the 1996 event. Yet in Atlanta, government officials are as concerned with technological preparations as they are with building construction.

The private sector is investing heavily in communications technology in the city. Bell South is putting $50m (£32m) into wired communications, and $77m into wireless. AT&T has a $40m supply contract with the Atlanta Committee for the Olympic Games.

"The 1996 Olympics coincides with a worldwide telecommunications revolution that encompasses cable television, the Internet and fibre optics," says Paul Harman, director of the 1996 Olympics programme at Bell South.

Cutting edge wireless technology will probably be an important legacy of the Games. "Wireless is coming into its own," says Terry Suttles, Olympic marketing manager of AT&T Network Systems.

"We're seeing the drive on both sides. On one hand, the Olympics are a great showcase for the new technology. On the other hand, people will be coming to the Olympics loaded up with computers, cellular telephones and other equipment they expect to use without hitches. The city has to be ready for that influx."

As a result, two-way paging system and cellular telephone capacity will be doubled. Although some of that capability will be transferred to other cities after the Olympics, most of it will be left in place. Bell South is also installing sophisticated multiplex equipment, which expands existing data lines' carrying capacity three times.

Forty synchronous optical network rings, which automatically reroute calls in case of a break in the communications line, will also be put in place. As well as aiming to make the Games run smoothly, Bell South is installing new equipment in an effort to ensure that the increase in demand during the Olympics for transmission services – of voice, data and images – does not disrupt the work of its customers operating within the 1.5-mile area of Olympic venues and activities in downtown Atlanta.

Among Bell South's services during the Olympics will be its Crisislink, which reroutes calls if customers are unable to answer on their usual telephone line. For example, if traffic congestion prevents customers reaching their office, calls can be rerouted to their home or to another branch.

Motorola is designing a secure radio system for Olympics security personnel to use during the Games. Radio conversations – either scrambled or unscrambled – will be extremely difficult for outsiders to eavesdrop on. Motorola is also negotiating a deal to sell the system to Georgia's state police after the Games are over. "The final price will take into consideration the fact that the system will already be in place," says Merle Gilmore, president of the Land-Mobile products sector of the company.

Smaller companies look set to benefit from Olympics' communications advances as well. The executives of Panther, a television content provider for magazine shows and educational broadcasts, plans to shape company strategy around preparations for the Olympic Games. The company will act as host for many of the NBC network affiliates during the competitions, and is installing systems to send video directly to stations across the country during the sports events.

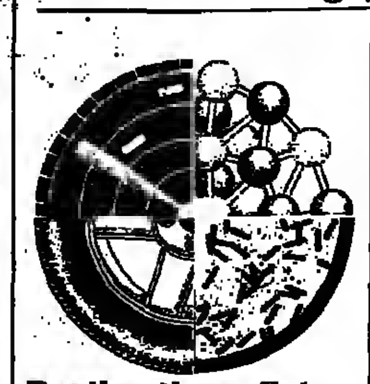
"During and after the Olympics, we're going to shift from being a content provider to being a distributor of video prodncts too," says Jack English, president of the company. "We've now got fibre running down the street outside, and all the facilities will be hooked to fibre. That will allow us to just send video directly to networks rather than purchase satellite capability or send up a video. We'll be practising desktop broadcasting."

Other areas, too, are taking part in Atlanta's technological revolution. The city is putting in place transport systems, for instance, thet will co-ordinate traffic lights in town to maximise traffic flow. Cameras will be mounted on freeways to facilitate traffic policing.

The icing on the cake for the city, however, will be telecommunications facilities being constructed under the pavement and along the "Deep South" airways. Economists are predicting that the advances will have a long-term impact on the city's capacity to attract jobs.

"After the Olympics, you'll be able to put Atlanta up against any city in the world for sophistication of its communications infrastructure," said Ratajczak. "That's a pretty powerful pull for any company daciding where to do business these days."

## Worth Watching · Vanessa Houlder



### Beating those flat battery blues

Gauging when batteries need replacing is often a matter of guesswork. That can lead to intense frustration when it comes to the unexpected discovery that batteries in a camera or a Christmas toy have gone flat.

Duracell and Eveready, US battery manufacturers, have both tackled this problem by developing on-battery testers that give users a visual indication of the power level.

The difficulty in estimating battery power levels can also be frustrating, as the old batteries get muddled up with the new when they are being replaced.

The companies have both developed devices which determine the amount of energy left in a battery by measuring the amount of heat it can generate. When dots on the side of the battery are pressed, a display shows whether the battery is fully-charged or needs replacing.

The launches of the Duracell PowerCheck batteries and Eveready's Energizer on-battery tester will begin in the US in the late spring of 1996.

*Eveready: US, tel 314 982-3926; fax 314 982-1211. Duracell: US, 203 796-4000; fax 203 796-4269.*

### Robots report for sewer inspection

Sewer inspections are usually carried out using remote-controlled video cameras. But the images do not always reveal which cracks need the most urgent repairs.

German researchers have designed a robotic system fitted with optical, ultrasonic and microwave sensors that can detect faults in the walls of the pipes. The equipment can be adapted to handle the related problems of pipe and container inspection.

The project was funded by the Federal German Ministry of Research and carried out by a number of organisations, including the Fraunhofer Institute for Information and Data Processing.

*Fraunhofer Institute for Information and Data Processing: Germany, tel 7216091310; fax 7216091413.*

### Cleaning out 'sick buildings'

"Sick building syndrome" – a malaise usually associated with inadequately ventilated offices – is often blamed on the build-up of mould, dust and bacteria in ventilation ducts in buildings. In many structures, these are notoriously difficult to get clean.

Prime Clean, a Swedish company and the Royal Technical University in Stockholm, have developed a method of cleaning ventilation ducts using rotating brushes and compressed air.

The system uses a cleaning nozzle which forces compressed air through the ducts, using the same principles employed in a jet aircraft. The cleaning nozzle rotates around the duct.

Dirt in the ducting is blown out by the compressed air when the nozzle is pulled back. Up to 50m can be cleaned using this method, which reduces the need for expensive access hatches.

*Prime Clean, Sweden: tel 24040500; fax 24041320.*

### High-quality document storage

Sony has developed a document storage system designed to take users a step closer to the paperless office, *writes George Cole.*

The system uses Sony's MiniDisc, originally designed to store around 74 minutes of high-quality digital music on a 2.5-in magneto-optical disc.

A MiniDisc can store the equivalent of 140MB of data, or about 1,000 pages of text and graphics.

The PDF-5, or MD Data Eata, is a desktop device that incorporates a scanner, microprocessor, MiniDisc drive, inkjet printer and 8-in LCD screen. The PD-5 costs around Y150,000 (£955). Sony has also produced a Picture MD System which stores 200 high-quality photographic images on a MiniDisc.

*Sony, Japan: tel 354482111; fax 354485577.*







CONTRACTS & TENDERS



LEGAL NOTICES

Cinema/Nigel Andrews

# Fissure, fright and subversive farce

The human body was designed to discourage self-congratulation: anyone trying to pat himself on the back risks dislocating his shoulder. Nonetheless, I insist on proclaiming "I told you so" about Lars Von Trier. I have sung this Danish director's praises ever since his bizarre debut *The Element Of Crime* and three years ago, in an interview on these pages, I proffered comparisons to Welles and talked of Trier "planting a bomb under movie convention."

Now everyone is rhapsodising – rightly – about *The Kingdom*, his 4½-hour television mini-series showing on the large screen at the ICA. This tale of a haunted hospital is not, be warned, *Casualty* or even *ER*. It is more David Lynch mixed with hallucinations from Edvard Munch. There is a ghost child in the lift, a severed head in a plastic bag, a pair of Downs Syndrome children speaking chorus-like lines in the kitchen ("The wicked will laugh, the good will cry"), an outbreak of voodoo, and a main character of sumptuous eccentricity. A sarcastic Swedish neurosurgeon bubbling with hatred of the Danes, he is played by Ernst Hugo Jarogard as if on leave from one of the great Bergman tragicomedies.

*The Kingdom* is completely serious and completely funny. As in Trier's earlier films, notably his little-seen *Epidemic*, he displays a genius for spectral minimalism. The opening is a slow-motion fantasy tableau depicting, in misty monochrome, the "old bleaching ponds" on which the hospital is built. "The signs of fatigue are appearing in the solid, modern edifice" chants a disembodied voice, readying us for the next 270 minutes of fissure, fright and sly subversive farce.

The monster hospital is, of course, a monster metaphor: for the scary multi-layering of human life. Like the bodies and souls being treated within it, the place is prone to decay and breakdown, to rapture, rupture and paranoia. The film begins with an administrator's breezy campaign to rationalise the establishment, but "Operation Morning Air" soon gives way to the chain of accidents and fatal encounters in morgue or lift shaft, operating room or masonic chapel.

The characters have the louche, luminous individualism we know from previous Trier films. The old woman who insists on re-admission to the hospital every time she is sent home, and who fights imagined malpractice with ardent spiritualism; the surgeon who plays jokes with "spare parts"; the earthily attractive lady doctor (Jarogard's mistress) who may very probably be a ghost. None of these characters is oversketched or overplayed. Each steps into the ballet of Trier's *mise-en-scène*, which makes a virtue of the diminutive budget. The soft-definition black and white, shading into seedy jaundice-yellow, makes this a spook world where anything can happen and almost certainly will.

THE KINGDOM
**Lars Von Trier**

SEVEN
**David Fincher**

SOMETHING TO TALK ABOUT
**Lasse Hallstrom**

HORSEMAN ON THE ROOF
**Jean-Paul Rappeneau**

FOUR ROOMS
**Allison Anders, Alexandre Rockwell, Robert Rodriguez, Quentin Tarantino**

The last time I led this column by urging the world towards a little-known film at the ICA, I was set upon by an FT colleague who had gone, seen and not been captivated. But I have no qualms about doing it again here. *The Kingdom* is a wonderful movie and the first certainty for the Ten Best of 1996.

★

The nameless American city of *Seven* is possessed by as many evil spirits as Trier's Copenhagen. In this murder thriller with a twist in its tail – no, more a Dostoevskian convulsion – Morgan Freeman and Brad Pitt play homicide detectives wading through horror and urban decay to find a serial killer who patterns his crimes around the seven deadly sins.

Director David Fincher, formerly of pop videos and *Alien 3*, paints an America of diabolical dishevelment. Photographed by Darius Khonji, the peeling shadow-stricken interiors and the infernal street scenes almost suffocating in rain have a poetic-elemental force that ensures the film's images match its high-faluting invocations (Dante, Chaucer, Aquinas).

Initial moments may threaten that deadly blend, genre formula souped up with jaded excess, but the film's brutal originality soon takes hold. The killers' murder methods, far from being gratuitously kinky, have a slow-revealed logic as horrible as their surgical reality. And the final act takes us into the heart of madness, in a landscape as flat, vast and unnerving as the Hitchcock cornfields where Cary Grant met his crop-sprayer.

First-time screenwriter Andrew Kevin Walker must have had a disturbed childhood but should go on to have a fulfilled and lucrative adulthood. His two detective heroes are so much more richly conceived than the usual veteran/rookie cut-outs that Morgan Freeman and Pitt feed on the roles like tigers.

Pitt has the showy moments, but Freeman builds a seeming lifetime of hopes, torments and memories into his old-timer's lined and gullied face, slow rasp of a voice and occasional dry, sardonic twinkle in the eyes.

*Something To Talk About* was written by Callie Khouri, who scripted *Thelma And Louise*. What ever can have happened to her between projects? The feminism is here again, but it is lost in two hours of Southern soapiness about a betrayed wife (Julia Roberts), the antics of her remorseful husband (Dennis Quaid) and an all-star ranch-owning family who might have been airlifted from dear lamented Southfork.

Robert Duvall is the substitute J.R. Ewing, all lovable scowls and upstate-hillbilly vowels. Gena Rowlands is his wife and the heroine's mother, a face forever emoting in windows or doorways. And Kyra Sedgwick is the sister, seemingly scripted to conform to the adjectives "sassy" and "feisty." She has all the best lines, but even tomboy siblings would surely hesitate before kneeing an errant brother-in-law in a place that should be restricted, whether for love or punishment, to his wife.

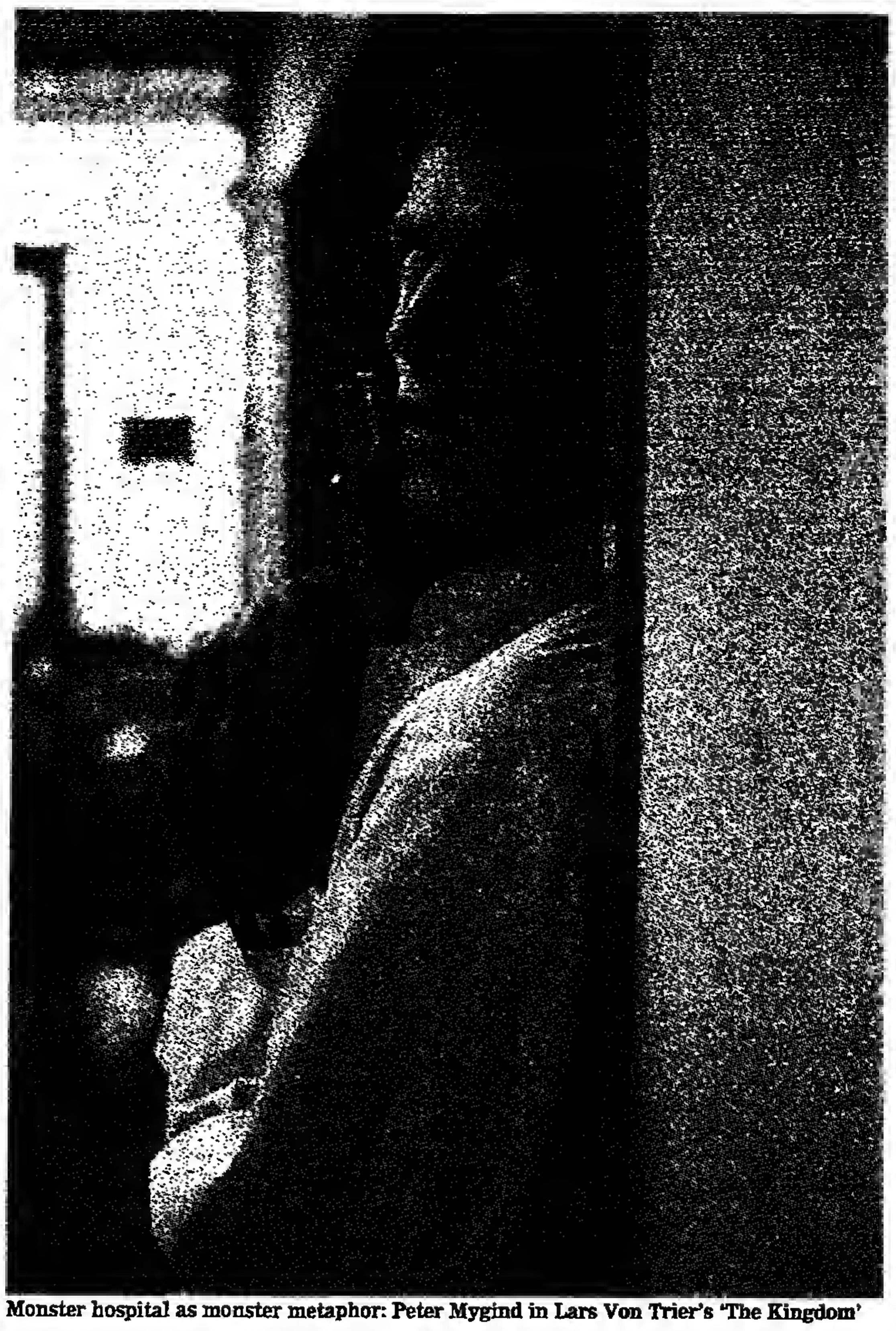
Sweden's Lasse Hallstrom (*My Life As A Dog*) directs as if assembling an ill-manufactured jigsaw. He knows the pieces do not fit, but somehow, anyhow, he will jam them together.

The oldies come off best. Rowlands, unlike her daughter, seems an inhabited human being, and Duvall has a loopy rural charm and dignity, even when required to climax his performance by falling off a horse.

★

There are more temperamental equines in *The Horseman On The Roof*. France's Jean-Paul Rappeneau, overpraised for *Cyrano De Bergerac*, repeats the flashing swords and flying cloaks with a lesser text and comes an unsurprising cropper. Juliette Binoche and Olivier Martinez are the girl and hussar swishing through war-and-cholera-torn 1830s France as the plot and script (based oo a novel by Jean Giooo) hasten into vacuity.

*Four Rooms* is worse: four comic stories set in the same imaginary flea-bitten Hollywood hotel, written and directed by four film-makers who should know better. An over-acting Tim Roth appears in each tale as the bellboy and Quentin Tarantino directs and stars in the last, the parodically Tarantino-esque tale of a chopped finger. Avoid.



Monster hospital as monster metaphor: Peter Mygind in Lars Von Trier's 'The Kingdom'

Concert

# Enterprising Rogeri Trio

**A special attraction of the Rogeri Trio's Wigmore Hall concert on Tuesday was their enterprising programme. Piano trios by the young Chausson (then 28), the even younger Shostakovich (17) and dear old Fauré (wonderful at 78, with a string quartet still to come), and a bonbon from Chick Corea: not a "standard" work among them, except perhaps by courtesy the Fauré, which is more respected than performed – and yet they made a programme eminently worth hearing, and it drew an appreciative audience.**

**The young Rogeri team, whom I should guess to be in their mid-20s, are named after the maker of Peter Adams' cello (Giovanni Battista Rogeri, in 1697). That points toward the unusual balance of this trio, in which it is neither the pianist nor the violinist who leads, but the cellist. Adams boasts a large, beautiful, forward sound and patent authority. The violinist Nadia Myerscough matches him in spirit, but her refined tone is less expansive. At the piano, Yoshiko Endo has good fingers and a broad, well-balanced sound in big romantic passages; also a penchant for dogged tempi, fast or slow, impervious to the flexible pulse of expression.**

**Endo was at her best in the Fauré trio (apart from being too loud – her bass octaves regularly submerged Myerscough): her plainness in this music amounted to real stylishness. There are kinds of subtlety to which late Fauré should never be subjected, for the gentle-voiced music of his last years is so compactly intricate that we really need to hear it plain. The Rogeri performance, forthright and glowing, took the curse of bloodlessness off this spare, wiry Trio; the ideal style – translucent, spontaneously lyrical throughout – lies within their reach.**

**The second Shostakovich piano trio is as famous as his piano quintet, but it is years since I last heard his No. 1. Memory said it was categorically different from No. 2, probably because what memory clutched at was the huge difference in impact: the scarifying intensity of the 1944 trio, with its concentration-camp echoes, against the sardonic, eclectic light-footedness of his teenage work.**

**Memory missed out the more interesting point now, which is that the earlier trio uses so many of the same devices: the insistent *ostinati*, the snatches of crypto-Jewish folkchant. The piano-trio is anyhow an awkward medium, a product of what just happened to be the most popular instruments at a certain time, rather than of natural affinity; string-players do not enjoy hearing the "well-tempered" piano constantly out of tune. At an astonishingly precocious age, Shostakovich seems to have formed his own notion of how best to deal with it.**

**Ernest Chausson's Op. 3 Trio is lush, fluent and acutely felt – bar-by-bar, that is, as the big tunes are flung out; the construction is more routine. The Rogeri performance was strong on grand formal rhetoric, vaguer about how to sustain the emotional tension the piece needs to keep it going. The real, off-colour delight of this Trio is its scherzo. If you fed into your computer "composer: early French-Wagnerian" and – in blissful contradiction – "model: Saint-Saens' scherzo for his celebrated G minor piano concerto", this is *exactly* what you would get.**

**David Murray**

Theatre/Alastair Macaulay

# Cheek by Jowl's 'Duchess of Malfi'

By the time Cheek by Jowl – one of our most intelligent and refreshing theatre companies – brings its latest productions to London, it presents them so seasoned by touring and so festooned with glowing notices from other countries that they seem virtually critic-proof here.

Its current production of *The Duchess of Malfi* has just docked at Wyndham's Theatre (how amazing that the same theatre showed another production of the same play – directed by Philip Franks, with Juliet Stevenson and Simon Russell Beale – only a few months ago), outside which quotes from foreign critics hang like Christmas decorations. When a British production like this carries bravos from The New York Times, which British critic feels like carping at it?

But Cheek by Jowl – led by Declan Donnellan (director) and Nick Ormerod (designer) – deserves to stir up more local controversy than it does, especially for its stagings of plays that are more frequently seen here than abroad. Its 1994 *Measure for Measure* was excellent, but – especially since the RSC had also presented excellent productions of the same play – should have provoked more expert discussion. I loved most aspects of its *As You Like It* this time last year, but I found myself arguing with friends about it for weeks.

During much of its *Duchess of Malfi*, I kept changing my mind every minute. In sheer stagecraft it is fresh, bold and serious. In method of verse-speaking it is far more innovative and/or iconoclastic than has generally been acknowledged. In method of characterisation, it is striking, but more than a little schematic. Larger than any of these individual aspects, however, Cheek by Jowl leaves e two-part impression of anti-traditionalist intelligence on the one hand and immensely artful calculation on the other; and its staging of *The Duchess* makes me more than ever conscious of the latter.

Compare this *Duchess* with the 1995 Franks staging and you see at once how much more arresting Cheek by Jowl's is. To have no set but dark curtains proves beautifully suggestive; to emphasise character by a disparate array of early 20th-century costumes (the Duchess starts in an erect imperial gown and pearl-rope choker, Bosola in black shirt and breeches) makes a forceful impression; and to have separate scenes overlapping produces a continuity beyond what even cinema can provide, as well as a poetic attention to certain characters before and after their prescribed entrances and exits.

And yet Cheek by Jowl not only does not offer one piece of acting so rounded or fine as Simon Russell Beale's Ferdinand last year, it seems also not to want acting with that kind of organic life. Its best performance is that of Anastasia Hille in the title role. A greatly improved actress, she demonstrates crucial and contrasting facets of the role – royal euthority, sexual urgency, nervous confusion – that Juliet Stevenson oeglected; and your eye is repeatedly drawn to her strong, wilful, mobile, stupid, and compelling face; but her style, switching dramatically from one facet to another, lacks the lit-from-within humanity whereby Stevenson revealed conflicting impulses at one and the same time.

Other performances are considerably more schematic than Hille's. Donnellan has a way of finding a motif for a character and turning it into a shtick. Thus the Cardinal's mistress Julia (Nicola Redmood), taking her tune from her line "You shall see me wind my tongue about his heart", keeps licking the men in her life. But these shticks proliferate most heavily around the character of Ferdinand (Scott Handy). The Duchess and the Cardinal (Paul Brennen) slap his head the same way (i.e. chastising their unruly kid brother). He, in turn, keeps abasing himself in the same servile/filial embraces to those he respects; by the time he has knelt to hug the hips of the Cardinal, the Duchess, *and* Bosola, he has bludgeoned you with the same point.

Bosola, the most complex character of all, is given a virtually monochrome performance by George Anton: a uninflected and uninvolved Scots outsider, in whom Bosola's occasional flights of wit, intellect, and remorse scarcely ring true. True, the production gains considerable vigour from the clever way these characters are set against each other. Thus an interchange between the Cardinal and Ferdinand makes great contrast between the former's slow and harsh decisiveness and the latter's brisk and aggressive nervousness; but meanwhile each character stays too fixed and monotonous.

Though Cheek by Jowl deserves an important place in our theatrical firmament, it deserves argument too. By the end of *As You Like It*, its merits had swept me up in near-oblivion to its contrivances. John Webster's *The Duchess* is, however, a weaker play. Cheek by Jowl's way with characterisation and narrative only exposes some problems not only of Webster's dramaturgy but also its own company style.

Wyndham's Theatre until January 27.

## INTERNATIONAL ARTS GUIDE

### ■ AMSTERDAM

**CONCERT**
**Concertgebouw**
Tel: 31-20-5730573
● Koninklijk Concertgebouworkest: with conductor Mstislav Rostropovich and pianist Reinbert de Leeuw perform works by Oustwolskaja; 6.15pm; Jan 6

### ■ BERLIN

**CONCERT**
**Staatsoper unter den Linden**
Tel: 49-30-2082861
● Thomas Selditz and Asher Fisch: the violinist and pianist perform works by Brahms, Penderecki, Britten and Shostakovich; 3pm; Jan 7

### ■ BIRMINGHAM

**CONCERT**
**Symphony Hall**
Tel: 44-121-2123333
● City of Birmingham Symphony Orchestra: with conductor Mark Elder, the female singers from the City of Birmingham Symphony Chorus, violinist Lyn Fletcher, cellist Ulrich Heinen and viola-player Christopher Yates perform works by Delius, Tippett and Holst; 7.30pm; Jan 11, 13 (7pm)

### ■ BRUSSELS

**OPERA & OPERETTA**
**Théâtre Royal de la Monnaie**
Tel: 32-2-2291200
● Il Turco in Italia: by Rossini. Conducted by Ivan Fischer and performed by the Orchestre Symphonique de La Monnaie. Soloists include Tiziana Fabbricini and José van Dam (Jan 6), and Rachele Stanisci and David Pittsinger (Jan 7); 8pm; Jan 6, 7

### ■ COPENHAGEN

**OPERA & OPERETTA**
**Det Kongelige Teater**
Tel: 45-33 14 10 02
● Parsifal: by Wagner. Conducted by Michael Schoenwandt and performed by the Royal Danish Opera. Soloists include Poul Elming, Aage Haugland and Ruthild Engert; 6pm; Jan 10

### ■ DUBLIN

**CONCERT**
**National Concert Hall - Geoláras Náisiúnta** Tel: 353-1-6711533
● National Symphony Orchestra: with conductor Stefan Sanderling and pianist Grigory Sokolov perform works by Rimsky-Korsakov, Dvorák and Tchaikovsky; 6pm; Jan 5

### ■ FRANKFURT

**OPERA & OPERETTA**
**Theater am Turm**
Tel: 49-69-21237278
● L'Histoire du Soldat: by Stravinsky. Conducted by Mathis Dulack and performed by the Oper Frankfurt. Soloists include Karin Romig, Gottfried Breitfuss, Martin Lämmerhirt, Thomas Stache and Kalle Mews; 8.30pm; Jan 6, 7, 8, 10, 11, 12, 13, 14

### ■ GOTHENBURG

**CONCERT**
**Göteborgs Konserthus**
Tel: 46-31-7787800
● Göteborgs Symfoniker: with conductor Sixten Ehrling and violinist Per Enoksson perform works by Sibelius, Bruch and Stravinsky; 7.30pm; Jan 11, 12 (6pm)

### ■ HAMBURG

**CONCERT**
**Musikhalle** Tel: 49-40-346920
● Gala Opernabend: with the Norddeutsche Philharmonie Rostock and the Opernchor des Volkstheaters Rostock, conducted by Gerard Oskamp. Soloists include mezzo-soprano Galle Gilmore; 6pm; Jan 5

### ■ HELSINKI

**EXHIBITION**
**The Museum of Contemporary Art**
Tel: 358-0-90 17336312
● Jeff Wall: exhibition jointly organized by the Museum of Contemporary Art in Chicago, the Whitechapel Art Gallery in London and the Galerie Nationale du Jeu de Paume in Paris. This display, which has also been on show in Paris, includes more than 90 photographs; from Jan 5 to Feb 18

### ■ LEIPZIG

**OPERA & OPERETTA**
**Oper Leipzig** Tel: 49-341-1261261
● Eugene Onegin: by Tchaikovsky. Conducted by Jiri Kout and performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Monika Luck, Thomas Möwes, Annette Markert, Jana Scharkowskaya, Annelotte Damm and Hiedekatsu Choi; 7pm; Jan 6

### ■ LONDON

**CONCERT**
**Wigmore Hall** Tel: 44-171-9352141
● Maggie Cole & Friends: harpsichord-player Cole and friends perform works by J.S. Bach, Albinoni, Corelli and Haydn; 11.30am; Jan 7
**OPERA & OPERETTA**
**London Coliseum**
Tel: 44-171-8360111
● Les Pêcheurs de Perles: by Bizet. Conducted by Emmanuel Joel and performed by the English National Opera. Soloists include John Hudson, Elizabeth Woollett, Michael Lewis and Mark Richardson; 7.30pm; Jan 6, 12, 17

### ■ NEW YORK

**AUCTION**
**Christies, Manson & Woods International, Inc.**
Tel: 1-212-546-1000
● Old Master Drawings: this sale includes the collection of the late Professor Dr Richard Krautheimer and his wife Dr Trude Krautheimer-Hess and works from the estates of Rudolf and Margot Wittkower; 10am & 2pm; Jan 10
● The collection of the late Sir John Wyndham Pope-Hennessy: auction of the collection of this art historian and collector. Among the highlights are e bronze group of "Hercules and Iolus with Hydra" by Massimiliano Soldani Benzi, e miniature self-portrait by Giambologna and "Assumption of the Virgin" by Pietro di Francesco degli Orioli; 5pm; Jan 10
**CONCERT**
**The Metropolitan Museum of Art**
Tel: 1-212-879-5500
● The Interior Beethoven: His Creative Process: discussion (4.30pm), moderated by Robin Martin, and concert (7pm) on the subject of Beethoven's inner life and creative process. The concert programme consists of works by Beethoven, performed by cellist Robin Martin, pianist Lukas Foss, violinists Krista Benion-Feeney and Laurie Smukler, and viola-player Ira Weller; 4.30pm & 7pm; Jan 6
**OPERA & OPERETTA**
**Metropolitan Opera House**
Tel: 1-212-362-6000
● La Bohème: by Puccini. Conducted by Carlo Rizzi and performed by the Metropolitan Opera. Soloists include Barbara Frittoli, Patricia Racette, Marcello Giordani, Dwayne Croft, Eduardo Del Campo, François Loup and Stefano Palatchi; 1.30pm; Jan 6

### ■ OTTAWA

**CONCERT**
**National Arts Centre**
Tel: 1-613-996-5051
● National Arts Centre Orchestra: with conductor Mario Bernardi, soprano Donna Brown and mezzo-soprano Judith Forst perform R. Murray Schafer's "Gitanjali" and "Adieu, Robert Schumann"; 8pm; Jan 5

### ■ PARIS

**CONCERT**
**Cathédrale Notre-Dame de Paris**
Tel: 33-1 42 301516
● Requiem: by Berlioz. Conducted by Marek Janowski and performed by L'Orchestre Philharmonique de Radio France, the Maîtrise de Notre-Dame and the Choeur de Radio France. Soloists include tenor Christian Johannson; 9pm; Jan 12
**Maison de Radio France**
Tel: 33-1 42 30 22 22
● Des Canyons aux étoiles: by Messiaen. Conducted by Marek Janowski and performed by L'Orchestre Philharmonique de Radio France. Soloists include pianist Roger Muraro and percussionists Francis Petit and Jean-Claude Chazal; 8pm; Jan 10

### ■ SAN FRANCISCO

**EXHIBITION**
**M.H. De Young Memorial Museum**
Tel: 1-415-750-3600
● Nothing Lost from the Original: William Wiley Looks at Art History: this exhibition consists of approximately 50 paintings, sculptures, watercolors and drawings by this American artist; from Jan 10 to Apr 7

**WORLD SERVICE**
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

**EUROPEAN CABLE AND SATELLITE BUSINESS TV**
(Central European Time)
**MONDAY TO FRIDAY**
**NBC/Super Channel:**

07.00
*FT Business Morning*

10.00
*European Money Wheel*
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
*Financial Times Business Tonight*

Midnight
*Financial Times Business Tonight*

COMMENT & ANALYSIS

Economic Viewpoint · Samuel Brittan

# Risks to world consensus

Worldwide demand growth has been too low and the D-Mark remains too high for stable international expansion. Hence the downside risks to official forecasts

The consensus forecasts for 1996 try to be reassuring. They suggest that the growth dip in the main industrial countries is just part of a sub-cycle in a long-term expansion and that growth will return to normal rates by the second half of the year. Underlying inflation (measured by the gross domestic product deflator) will average below 2 per cent. But there will still remain a gap of controversial size between actual and potential output. Unemployment is thus expected to do little better than stabilise.

Official analysts have taken comfort from the worldwide fall in bond yields, which in the US and Japan has amounted to 2 percentage points from previous highs. They have also been gladdened by the "shift back toward fundamental values" of currencies such as the dollar and the yen.

The principal risks are seen as arising from high budget deficits. There is a lot of Saint Augustine here – make me chaste, but not yet. Japan in particular is urged to put deficit reduction on the back burner and there are worries that the timetable for European monetary union will push EU countries into over-rapid fiscal correction. Nevertheless the main message is still that orderly deficit reduction will lower the uncertainty premiums still built into long-term interest rates.

The above paragraphs are based largely on the December Economic Outlook published by the Organisation for Economic Co-operation and Development (OECD). The OECD is one of the few bodies which try to take a top-down look at the world economy as an inter-connected system rather than just adding up individual country forecasts.

Nevertheless, its forecasts will be regarded by many non-official analysts as too complacent, partly on account of the OECD's own record. For well over a year the organisation has been over-optimistic in its growth predictions. In late 1994 it expected real GDP for member countries to rise by 3 per cent in the year ahead. But the estimate for 1995 is now down to 2.4 per cent. Predictions for 1996 have come down from 2.9 per cent, expected before Christmas 1994, to 2.6 per cent. It is notable that Goldman Sachs, which operates a similar mainstream model but goes to press on its forecasts later, has reduced its 1996 projections below those of the OECD and now expects only 2 per cent growth in 1996. These reductions in expected growth rates make all the difference between an expansion which inspires confidence and one inclined to feebleness.

It is helpful to look at one area where the OECD has not been over-optimistic, but over-pessimistic, namely inflation, measured by the GDP deflator. US inflation for 1995 now looks like coming in at 1.6 per cent, compared with an OECD forecast of 2.5 per cent just over a year ago. German inflation looks like being 2.3 per cent, close to the original forecast. Most striking of all, what was expected to be a very modest 0.6 per cent rate of Japanese inflation has turned into an actual fall in price levels – or deflation – of 0.9 per cent. For 1996 as well, the OECD has revised downwards its earlier projections.

The upshot is that both real growth and inflation have been below expectations. This means that the growth of total demand in money terms, measured by nominal GDP, has been low. In the Group of Seven industrial countries nominal GDP in the second half of 1995 is now estimated to have risen at an annual rate of 3.6 per cent – well below the widely accepted norm of 5 per cent for this indicator. There has been only one period in recent decades when demand growth has been as small, in 1993 when the world economy was only just beginning to recover from the last recession.

There are basically two kinds of criticism of the international economic policy establishment. There are those who simply disbelieve the forecasts of an adequate growth recovery – either because they have heard it all before or they believe that animal spirits among business people and consumers are too low. Then there are those who believe that the output gap is much larger than it needs to be to stop inflation accelerating – so that unemployment is needlessly high and potential production is lost. The strictures are most severe when critics believe both these propositions at the same time.

Examples include Mr Peter Jay, BBC economics editor, who has a chart of the output gap which ought to have developed in the UK if the economy had been in equilibrium at the end of 1990, as the Treasury says it was. They include too Professor Patrick Minford, one of the original monetarists and Thatcher supporters, who has received a well-merited award in the new year honours list.

Yet there are also critics who have the opposite worry; that, as in the the late 1970s and 1980s, governments are yet again injecting too much liquidity – money available for spending. They see the same excuses being made about the extra bank deposits being primarily a savings vehicle, or associated with corporate takeover activity.

There is of course nothing to prevent both these criticisms from becoming true in sequence. There may now be an excessive gap between actual and potential output; but at a later stage cash balances could be spent, leading to the opposite danger of inflation taking off again.

Yet one general observation can be made. The world is a less inflationary place than one would expect allowing for all the usual variables. UK pay inflation is much lower than many forecasting equations would have predicted from current data. The 1994-95 rise in commodity prices soon went into reverse. Although US unemployment is well below what the Fed regards as the equilibrium level, inflation refuses to take off – as the Fed acknowledges by loosening monetary policy instead of continuing to tighten it as many expected little more than a year ago.

The view that excessive liquidity is being pumped into economies derives mainly from the English-speaking world and Japan. But not even the most dedicated old-fashioned monetarist need have any worries about Germany, where the Bundesbank has not been able to prevent a serious shortfall from target. Because of its anchor role Germany is representative of the core EU currencies.

Yet Germany's problems do not arise mainly from domestic monetary policy. Their root is in a real over-valuation of the D-Mark at current cost levels. Hence the spate of new year messages from German industrialists threatening to shift production abroad and pleading for an alleviation of tax burdens. Doubts about the credibility of the future European Central Bank are also putting an inflation premium into longer-term German bonds and affecting recovery prospects. In France the combination of a tie-up with an over-valued D-Mark and a risk premium of 1 to 2 percentage points embedded in short-term interest rates is acting as a drag on French growth.

The most desirable development in 1996 would not be a rupture of the French-German link, but a devaluation of the D-Mark together with the currencies linked with it against a still undervalued dollar. If that happened the US Fed would be able to ease policy further to make up for the loss of external stimulus without inflationary danger. Meanwhile the risks to the European outlook remain on the downward side.

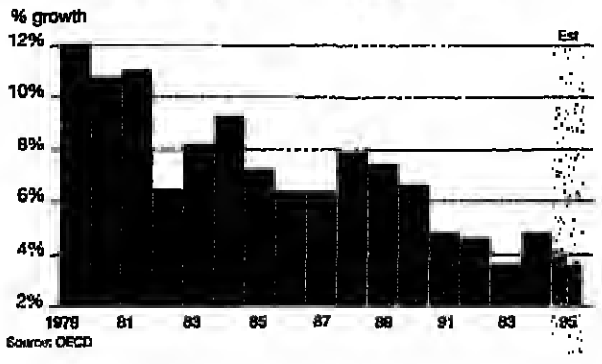
**OECD forecasts**

| Real GDP growth | | | | Inflation (Measured by GDP deflator) | | |
|---|---|---|---|---|---|---|
| % change | 1995 | 1996 | 1997 | 1995 | 1996 | 1997 |
| US | 3.3 (3.1) | 2.7 (2.0) | 2.8 | 1.6 (2.5) | 1.7 (3.2) | 1.9 |
| Japan | 0.3 (2.5) | 2.0 (3.4) | 2.7 | -0.9 (0.6) | -0.4 (0.6) | 0.3 |
| Germany | 2.1 (2.8) | 2.4 (3.5) | 2.7 | 2.3 (2.0) | 2.0 (2.2) | 2.1 |
| OECD Europe | 2.9 (3.0) | 2.6 (3.2) | 2.7 | *2.9 (2.5) | *2.7 (2.6) | *2.6 |
| OECD total | 2.4 (3.0) | 2.6 (2.9) | 2.8 | **1.9 (2.3) | **1.8 (2.6) | **2.0 |

Figures in brackets are Dec 1994 forecasts

* Excluding Turkey
** Excluding Turkey and Mexico

**Nominal GDP: Group of Seven total**




Source: OECD

BOOK REVIEW · Guy de Jonquières

THE END OF THE NATION STATE By Kenichi Ohmae
HarperCollins, 214 pages, £16.99

# Of pork merchants and rice inspectors

As a successful management consultant turned aspiring politician, Kenichi Ohmae knows a thing or two about marketing his own wares. That much is evident from the care with which this book has been packaged for its target of busy international managers.

Although slim enough to be read on a transatlantic flight, this book resists any idea that it might also be lightweight. In addition to a jacket trumpeting the author's "profoundly important" views and "authentic visionary" powers, 14 pages of footnotes are devoted to writings by or about him.

Stripped of hype, Ohmae's most obvious attributes are his status as Japan's only internationally known business guru and his talent for popularising big "strategic" issues. His timing is well judged. Publication of this book coincides with an ill-focused debate in the west partly inspired by the performance of east Asia's "miracle economies" – about the proper role of the state and government in an interdependent world.

Ohmae's thesis will be familiar to readers of his previous works. It is that traditional barriers between national economies are being eroded by flows of internationally mobile information, capital, technology and industrial capacity.

That much is now conventional wisdom. But while Ohmae's main concern in the past has been with the implications of these changes for corporate management, this book focuses on how they are redefining the functions of sovereign governments. Or, rather, destroying them.

Global forces, he contends, are not *merely imposing* stricter disciplines on sovereign power. They have made it a burdensome anachronism. "Traditional national interest . . . has become little more than a cloak for subsidy and protection," Ohmae says, contemptuously dismissing central governments as mere "merchants of pork".

Much of his evidence is culled from Japan, and featured in his failed campaign last year for election as governor of Tokyo. Government, he says, has become powerless to deal with economic problems because it is paralysed by self-serving collusion between producer lobbies, pork-barrel politicians and a bloated bureaucracy dedicated to perpetuating itself.

These charges are entertainingly documented. For instance, deference to Japan's farm vote keeps 11,000 officials *employed in grading different* kinds of rice. Japan's repeated reflationary packages, meanwhile, are condemned largely as a pretext for showering unneeded infrastructure projects on electorally important parliamentary constituencies.

However, Ohmae's approach is too narrow to substantiate his broader argument. He is right to detect growing pressures in much of the world to cut central government down to size. Yet his book ignores the experience of countries – above all the US – where the challenge is being confronted more decisively than in Japan. Newt Gingrich does not even rate a mention.

More crucially, Ohmae's definition of the nation state is two-dimensional. In his view, its survival depends almost entirely on its success in meeting the sort of criteria of economic efficiency used to compile league tables of national "competitiveness".

This seems a slender basis on which to predict the nation state's demise. Nor is it strengthened by Ohmae's *assertion that the functions of* nation states are being usurped by "region states" – economically dynamic zones, often straddling frontiers, in which activity is strongly oriented towards world markets.

The importance of local "clustering" of industries as a stimulus to business performance is indisputable. The City of London is one of the oldest examples. Silicon Valley and Hollywood are more recent ones. The extension of Hong Kong's manufacturing base into neighbouring Shenzhen also seems to fit the pattern.

In no case have these successes obviously threatened the integrity of the nation state. On the contrary, Hollywood and Silicon Valley have done much to reinforce US national identity. What is clear is that they have flourished partly because they have not been subjected to heavy-handed government intervention or regulation.

This, indeed, seems to be the real point of Ohmae's book. To encourage wealth creation, all governments have to do is loosen the shackles and allow free enterprise to fly. As he puts it: "No policy can substitute for the efforts of individual managers in individual institutions to link their activities to the global economy."

Ohmae's case is weakened by some of the instances which he chooses to illustrate it. By his account, Malaysia's economic prosperity is due largely to its government's skill in picking industrial "winners".

Singapore, it is true, is commendably open to trade and investment, and provides an efficient operating environment for the multinational companies which have generated much of its prosperity. In other ways, however, it is hardly an advertisement for hands-off government.

Nonetheless, it is hard to disagree with the core of Ohmae's argument – that policies which distort markets and artificially protect industry are the enemy of wealth creation. That is certainly a profoundly important point. However, it is hardly new, nor does it require visionary powers to grasp it.



·LETTERS TO THE EDITOR·

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## Understanding Italy's political stability

*From Dom Serafini.*

Sir, If I read your editorial "Italy and the EU presidency" (January 2) correctly, you worry too much. Italy was able to achieve what France is trying to do without the social upheaval. The future also promises stability "Italian style" with more richness. Yes, because Italians are rich. To me, they seem richer than the British (to which my British relatives confirm) and have better living standards.

The Italian political situation seems to be more stable than that of the UK (where the prime minister has a majority of three), Spain (new elections), France (domestic and international upheaval) and Germany (new elections). To understand Italy, you need only do what Italians do: ignore what politicians say.

Here's what is really happening. No one wants new elections for several reasons. First, because under existing rules nothing would change for the larger political parties.

Second, small parties are afraid to lose parliamentary seats and larger parties don't have their leadership in place yet. Indeed, Silvio Berlusconi needs time to get rid of his legal problems before he can reaffirm his centre-right leadership, and it is premature for rightist Gianfranco Fini to seek the premiership. The centre-left leadership of Romano Prodi is not taken seriously but, before its real leader Massimo D'Alema can take charge, he needs time to get rid of Walter Veltroni who is supported by industrialist Carlo De Benedetti and Carlo Caracciolo, brother-in-law of Fiat's Gianni Agnelli (to confirm this, monitor their publishing group La Repubblica/L'Espresso).

And finally, both D'Alema and Berlusconi need time to allow their centre to strengthen and thus get rid of the more extremist elements in their coalitions. As your correspondent, Robert Graham, and Italy's president have indicated, Italy will go to the elections in 1997. Until then . . .

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## The price to limit liability for auditors

*From Mr Nigel Wilkins.*

Sir, Mr Brian Currie, deputy president of the Institute of Chartered Accountants, hopes that the Law Commission will be able to find a formula to limit the scale of the damages being awarded against auditors for professional negligence (Letters, December 20).

However, the proposed reform of joint and several liability would merely reduce the amount of compensation available for the victims of negligence, whose interests ought to be paramount.

If concessions are granted to the auditors, two principal measures should be adopted in return. First, the accountancy profession will have to make significant strides in raising standards from their present low level. This would include the establishment of a fully independent disciplinary system.

Second, if other parties are required to pay their fair share of the damages arising through professional negligence, then they must have the means with which to satisfy the claims of their victims.

In the case of rogue company directors, this can only be achieved through the provision of compulsory indemnity insurance.

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## Democracy in non-Protestant societies

*From Mr Roger Williams.*

Sir, I must take exception to Ms Philippa Rann's statement (Letters, January 2) that "no non-Protestant society has sustained democracy for longer than 70 years". Costa Rica immediately springs to mind, along with more than 100 years of *uninterrupted* democracy in Chile until the Pinochet coup. Also, if democracy implies universal suffrage for men at least, the UK itself has only barely passed this test. The argument also seems a little unfair if one considers that many societies such as India have had less than 70 years of independence to develop such institutions.

Democratic institutions and societies are generally far more stable than autocracies. Even disregarding the effects of European imperialism, few countries, if any, have continued under the same government and constitution for as long as Switzerland and the Netherlands, not even China with its violently changing dynasties.

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**Japan**

## Taxpayer debt relief burden

*From Mr Albert H. Hamilton.*

Sir, It is gratifying that some of my recommendations for the Paris Club that you published in 1989 (Letters, January 11) have been adopted. Still, many poor countries continue to bear such onerous debt servicing burdens that even the World Bank is now considering a debt relief programme.

The Paris Club creditor governments have accepted more generous debt restructuring terms, but they seem convinced by their own rhetoric. The G7, by actions agreed to at their Toronto, Trinidad and Naples meetings, have concluded that the only form of debt relief is debt forgiveness.

This they term "enhanced" debt relief. "Enhanced" debt relief via the Paris Club, where debt owed to, guaranteed or insured by export credit agencies (inter alia) is restructured, is that which shifts the debt burden from borrowers to taxpayers in the lenders' countries.

There are but two beneficiaries of "enhancement": the buyers, who need not pay for imports; and exporters, who get paid by their national export credit agency, ie, fellow taxpayers. Thus, creditor governments subsidise exports, even though this is considered bad form by the Organisation for Economic Co-Operation and Development, the World Trade Organisation and the creditor governments themselves.

The use of export credit guarantees to support sales in non-creditworthy markets is driven by legislators' refusal to fund poor country development, preferring the use of off-budget guarantees. Payment of exporter claims, however, is on budget.

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**vice-president,**
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## Suitable lesson

*From Mrs Margaret Spong.*

Sir, As I wrestled with packaging over Christmas, I was reminded of the Radio 4 feature on the Japanese Ageing Suit. The suit simulates the problems of old age – restricted movement, lack of grip, poor eyesight etc – for the benefit of designers. A New Year resolution for those selling to the domestic market should be buy a copy and learn from it. I would appreciate not having to struggle to extract moulded electric plugs, read tiny multi-coloured instructions or solicit tall males in Sainsbury's to retrieve the last of the bargain mushroom packs for me.

I seem to recall the suit cost around £2,000 and there would be time costs associated with its use. Alternatively, designers could use a little imagination regarding the ultimate use of their products.

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FINANCIAL TIMES

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Thursday January 4 1996

# Rescues are not enough

To most outside observers it has long seemed obvious that curing Japan's banking crisis would eventually require substantial public funds. So when, just before Christmas, the governmeot agreed to vote money towards the disposal of the country's seven bankrupt housing loan companies, many rejoiced. Bnt, only a few days into the naw year, those cheers already sound a little hollow. The proposal is oot just politically unpopular. Without radical complementary reforms, it could be economically unwise, too.

The fiasco of the housing lenders is a perfect example of all that went wrong in Japan during the bubble economy. These institutions were astablished by the banks in the 1970s, largely to evade regulations thet prevented them from cashing in on the burgeoning market for home loans.

When the rules were changed, these supposed "mortgage leoders", with the encouragement of their parent banks, gorged themselves on speculative lending to property companies, golf course developers and eveo organised crime. After the collapse of property values, they tried to trade their way out of trouble by making still riskier loans and offering high interest rates, which enticed farming co-operatives into providing generous support.

In view of all this, it is hardly surprising that the plan to donate at least Y685bn (£4.26bo) of taxpayers' money, to assist the disposal, *has met with popular resistance*. Few governments have ever won votes by agreeing to bail out banks and, in this case, the deal is doubly unpopular. The real beoeficiaries are the agricultural co-operatives, which refused to accept their share of the losses as creditors of failed institutions and will, instead, have a substantial proportion repaid by the government.

Yet governments must occasionally take unpopular decisions: the real question is whether this is at least the right one.

## Moral hazard

With any bailout the need to avoid systemic failure must be balanced by the need to reduce moral hazard. If an institution knows it will be saved, come what may, it is under no market pressure to act prudeotly.

The government's implicit guarantee has been the principal factor undermining tbe quality of Japan's financial system in the last decade. *In future*, however, says the government, banks can no longer be expected to be supported. When proposing this rescue, therefore, it claimed it had avoided the risk of moral hazard.

## A powerful force

But has it? There are three (not mntually exclusive) ways to do so. The first is by means of what supervisors call "constructive ambiguity" - no institution or group of institutions should be certain thet they would be bailed out in the event of collapse. Provided they believe they may be allowed to fail, they will have an incentive to behave themselves.

But there is little constructive and not mnch ambiguous about the housing lenders' package. The bailout amounts to a surrender to the nation's farmers, a powerful force in politics, who, it seems, will be substantially protected from the folly of their (or their banks') investment decisions.

The second approach would be to achieve wholesale change at the institutions thet benefit from assistance. The government has promised a full inquiry into the housing loans mess and has said that those responsible will be "pursued vigorously". Judgment on thet will have to await events.

*The third and most important* way of avoiding moral hazard is to ensure greater transparency. It is unfair to expect depositors and investors to bear risks in an opaque financial system. If financial institutions offer limited disclosure, how can the public be expected to bear responsibility? But that is still, in essence, the position in Japan at the moment.

Now is the perfect opportunity for the authorities to make the needed changes. They shonld make any financial assistance conditional on full and transparent disclosure by all financial institutions in future. Otherwise, any official support for stricken financial institutions wonld not merely be unpopular, bot would turn out to be no more than expensiva sticking plaster ou a financial system in need of a radical cure.

# Dressing down in the City

In retrospect, 1995 marked an important sartorial watershed for tbe City of London: the introdnction of "*dress-down days*" at a number of – mostly foreign-owned – banks and brokerages. Every Friday, staff at these institutions are urged to abandon their traditional tailored suits in favour of casual clothing. The new policies are the subject of cynical smirks from more conventional rivals and mock-ironic laments for the demise of the old school tie.

The "dress-down day", already an institution on Wall Street, does lend itself to ridicule. It is argued tbat it increases morale and allows staff to express their more creative, idiosyncratic yearnings. Senior bankers appear to believe that a weekly change of clothes is enough to achieve this transformation.

Naively, perhaps, tbey have apparently oot realised that in Londoo the new policy is unlikely to produce the crisply laundered linens and *colour co-ordinated* cottons they might have expected to see in Milan or the preppy chinos and polished moccasins of New York. Instead, an edict to "dress casual" in a Londoo bank risks a cacopbony of sartorial borrors, from too-tigbt jeans to acrylic shell-suits.

Yet there is a serious sub-text to the "dress-down day". Fashioo is a parasitic medium; it reflects changes in the world around it, rather than catalysiog tbem. Changes in dress codes, wbile seemingly frivolous, generally signify more intricate ahifts in social and cultural attitudes.

## New expectations

Back in the 1960s, the rise of Britain's "mods" with tbeir sharply cut mohair suits, marked the emergence of a generation of *working- and lower-middle class* youths who, by dressing smartly, were telling society that tbey expected to be treated as equals not underlings.

The women of that era sent out the same signal by starting to wear trouser suits. The spectacle of women in trousers caused a sensation. They were turned away from hotels and restaurants. Some companies banned female employees from *wearing them to work*.

Thirty years later, sightings of denim jeans on the trading floor has provoked an identical reaction in the *stuffier corners of* the City, though for the opposite reason.

The women of the 1960s were berated for wearing trousers because their clothing was interpreted, quite correctly, as a sign that they intended to be treated as equals to men. The mods' sharp suits were also seen as subversive because smart clothes had historically been the preserve of the rich. Conversely, critics of casual dress in the City assume that it will detract from bankers' authority by stripping them of their Savile Row suits and silk ties, the visible symbols of their social and professional status.

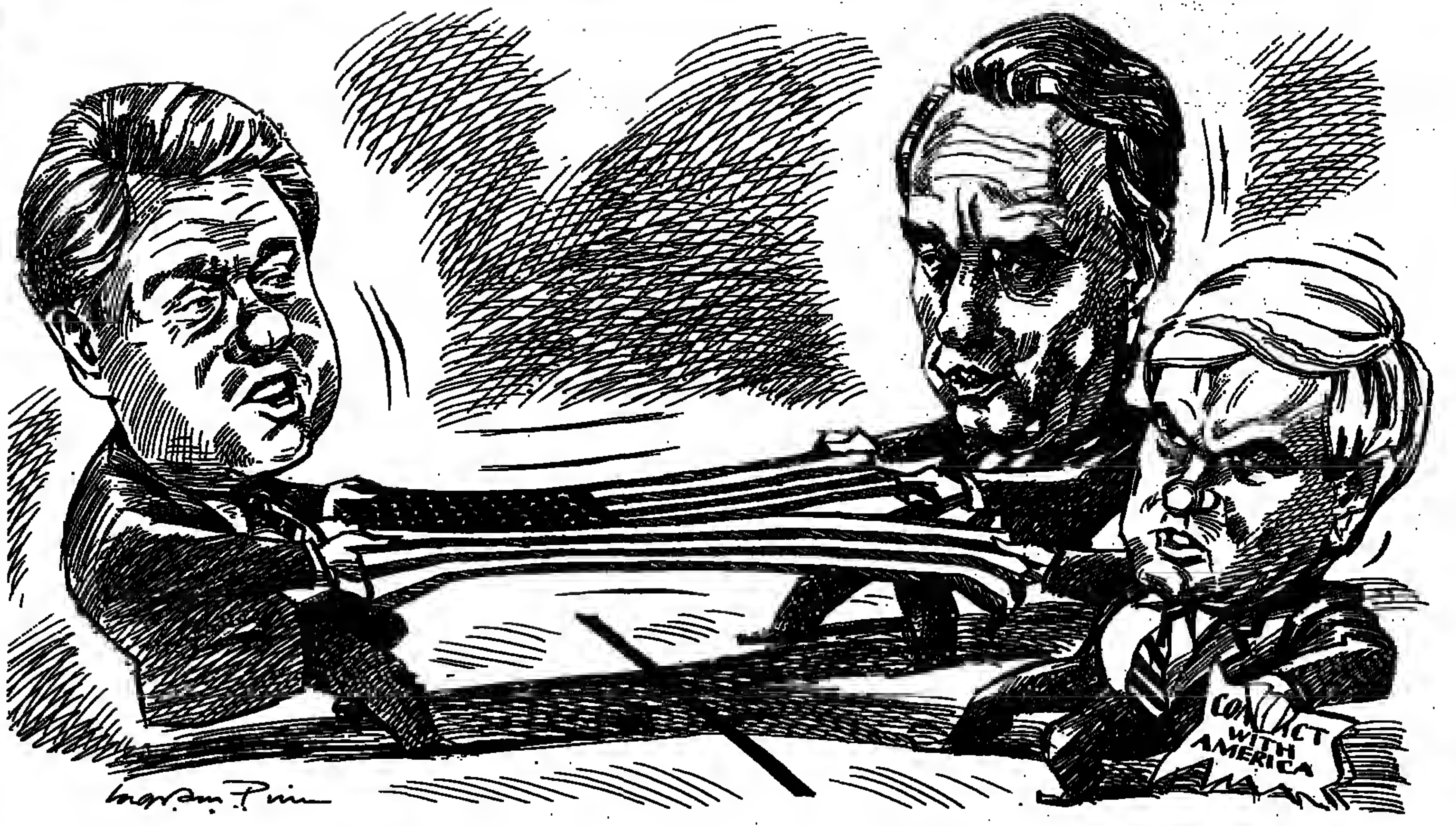
## Emblems of insecurity

Not so. There is nothing wrong with respecting traditioo, but some of the old elements of City dress, the regimental and old *school ties, looked like emblems of* insecurity. It was as if their wearers were flaunting totems of inherited privilege and status or fear that they would not have prospered without them.

By dressing casually, today's City workers are signalling that they no longer need those totems. The City is now staffed by people wbo tend to be younger, brighter and from a broader range of backgrounds than their predecessors. There are more women, a wider range of ethnic minorities and more graduates.

Many of the brightest bankers and brokers have never belonged to a public school or a regiment. Those that have no longer feel the need to wear the tie to remind other people of it. After all, a Savile Row suit is *not* the most comfortable wear if yoo spend most of your day, as many modern bankers do, in *front* of a computer.

But scruffiness is oot tbe answer. Rather than taking their sartorial cue one day a week from Wall Street, the City's dressers-down would be better off modelling themselves on their counterparts in continental Europe. Bankers in Paris, Milan or Frankfurt dress more casually but *much* more smartly tban Loodoners every day of the week, not just Friday.




# Tug of war for America's soul

## Candidates as well as voters will have to make choices between the various lessons of history in the presidential election, says **Jurek Martin**

America faces a political year which, for once, may justify the overused adjective "historic". *Its* final national election before the millennium may offer the country a fundamental choice between continuing, with refinements, the social policies introduced by Franklin D Roosevelt 60 years ago and fleshed out under Lyndon Johnson 30 years later, or pursuing a new holy grail, the balanced budget.

On the other hand – and there is always another hand in politics – it may not. A nation given to flirting with extremes but not voting for them in sufficient numbers may also conclude that it is best to divide the management of the country, the presidency resting with one party, Congress with the other.

This has been the standard *modus operandi* for the great majority of the postwar years. In the Britain of a bygone era, it would have been called "muddling through", but in the US, with its constitutional checks and balances, it appears a more natural order.

Still, there is enough of the historic to be worthy of note. If President Bill Clinton, without rival for the nomination of a party chronically addicted to challenging incumbents, wins a second term, he would be the first Democrat to pull off the trick since FDR 60 years ago. He would also be the first elected Democratic president to be returned after his party has lost control of Congress in intervening mid-term elections. (Harry Truman, another historic figure Mr Clinton would like to emulate, retained the White House in 1948 after losing Capitol Hill two years earlier, but he was serving out FDR's unexpired term.)

Republicans are also staring at history. If Senator Bob Dole of Kansas, favourite for the nomination of a party which generally prefers familiar faces, wins be would be the first president elected over a man at least a generation younger. More common knowledge is the fact that the majority leader, 73 next December, would be the oldest first-timer in the Oval Office, exceeding Ronald Reagan's 69 years in 1981.

But it is contemporary history which stirs the blood of 1996. Although the outcome of the budget battle may tip the advantage to one side or the other, it is rare for an election to be in such doubt when the contrasting visions are so sharply juxtaposed. They are basically represented by the the quicksilver Mr Clinton and, Mr Dole notwithstanding, the Republican Contract with America, the handiwork of Congressman Newt Gingrich, Speaker of the House of Representatives.

The president, acknowledged as a formidable campaigner, enters election year far removed from the advocacy of "change" that worked so well in 1992 and less effectively in his first two years in office. Although he has cut the federal budget deficit nearly in half (from an inherited $300bn plus to about $160bn), he now has cast himself as a defender of the the FDR inheritance, with suitable modifications.

But he is also a qualified believer in the revolutionary and untested notion that Federal red ink can be eliminated in seven years. As a policy "wonk" he naturally believes that the devil is in the detail. This is precisely the reverse of the Republican philosophy which holds that much government power, including federally guaranteed social safety nets, properly belongs to the states, not Washington.

Right or wrong, it has proved good politics for Mr Clinton. A Democratic party, the liberal wing of which had never fully trusted him and found him desperately disappointing for two and a half years, now sees him as the last redoubt against the rampaging Republican hordes. Approval ratings at a little over 50 per cent, the highest of his term, suggest that independent and floating voters are also taking second and more favourable looks.

But his recovery stands to direct relation to the recent ebbing of the Republican tide, a remarkable development to itself. For much of last year Mr Gingrich and his Contract were *the* story. Their first 100 days appeared a monumental achievement with legislation rolling through the House and the national debate shifting to the Republican ground of attacking the social safety net to balance the budget and leave room for a sizeable tax cut. Mr Clinton appeared mute, even powerless, and Mr Gingrich behaved as if he were co-president – permitting speculation that he might even run for the office and thus diminishing Mr Dole and all the other declared candidates.

Too much can be made of the Speaker's fall from grace, the result of his own pride and petulance, because nothing, as Mr Clinton has shown, is irreversible. But the year-end accounting of the Contract with America showed how few were its concrete achievements. Whether sandbagged in the Senate or blocked by presidential veto, only two of its 10 cardinal points, both relatively uncontroversial, made it into law.

Both houses did pass the line-item budget veto but the congressional leadership belatedly realised that it would give Mr Clinton more power and never sent it to him to sign. Wide-ranging reforms of the legal system only survived as narrower bills covering the securities industry and product liability. Moderate Repubbicans allied with Democrats to prevent the most radical repeals of environmental laws. Constitutional amendments to balance the budget, impose term limits on members of Congress and ban the burning of the American flag all failed.

Reforms of welfare, Medicare and Medicaid, as well as "middle class" tax cuts, have been subsumed in the wider budget negotiations. This provides consolation to believers in the Contract because no agreement honestly trying to balance the books can ignore federal entitlement programmes – although reducing taxation may be another matter. But the nature and scope of the proposed Republican reforms have also allowed Mr Clinton to draw his lines in the sand, to good effect. The resulting budget impasse has produced two partial shutdowns of the government for which the Republicans in Congress rather than the president are mostly blamed.

The Contract also further exposed the deep fault-lines in the Republican party apparent in 1992 – now as much of a problem for Mr Dole as it was then for Mr George Bush when he was president. No matter how much he accommodates the right-wingers they still refuse to pull for a man they consider to the embodiment of the worst of Washington – the professional politician. But their far more ideological alternatives would surely lose as heavily to Mr Clinton as Mr Barry Goldwater did to LBJ in 1964 and Mr George McGovern to Richard Nixon in 1972.

Presidential candidates on the Republican right continue to throw up interesting arguments, such as Steve Forbes's flat tax; Lamar Alexander's demand that the states be ceded even greater powers and Senator Phil Gramm's take-no-prisoners balanced-budget economics. None of these ideas is Mr Dole's natural ground but his obvious calculation is thet he must adopt some, such as the balanced budget amendment, to win the nomination before stepping sharply back to the centre once it is locked up.

*But that may* look as opportunistic as Mr Clinton's worst shifts with the prevailing wind and will hardly appeal to the centre – including far from extinct moderate Republicans, crying out for a principled independent or third party alternative. That will not be General Colin Powell, although, as a Republican, he could help Mr Dola in the campaign. It probably will not be Mr Ross Perot or the nominee of his Reform party, assuming someone of substance can come to terms with the cranky but still influential 1992 candidate. None of the large crop of distinguished senators retiring in semi-disgust with politics (such as Sam Nunn and Bill Bradley) want to get involved again so soon.

In fact, the voluntary departures from Congress are themselves now reaching historic proportions, making predictions of control unusually difficult. These range from filibuster- and veto-proof majorities for the Republicans to Democrats back in control of at least one chamber. Much may depend on whether the 73 militant Republicans elected in 1994, conservative children of the Contract, can persuade their electorates that they have made a difference for the better. That itself is the issue which could decide who next sits in the White House.

As of now, Mr Clinton has a clear *but not decisive advantage*. But it is only too easy to see rocks ahead for the president – Bosnia, Russia, Whitewater and a possible economic downturn merely heading a long list. With election day still 10 months off, it is no good peaking too soon, as FDR in 1936 and Mr Reagan in 1984 showed. In the Januaries of their "historic" second-term landslides, both were considered vulnerable. Bill Clinton should be so lucky.

# · OBSERVER ·

## Printing pressures

■ *Oh dear*, the *Bundesbank is* having a spot of difficulty with its money supply again. It's not that the German central bank's M3 has suddenly veered out of control. No, it is rather that Giesecke & Devrient (G&D), the secretive company thet prints half of Germany's banknotes, is back under the spotlight.

Towards the end of last year, Siegfried Otto, G&D's 80-year-old owner who has now stepped down from the chief executive's seat, admitted he had paid an estimated DM100m plus to back taxes after failing to declare income from a mysterious Swiss-owned subsidiary. At the time, the Bundesbank was careful to point out that the personal business interests of Otto and those of G&D were legally separate, and that G&D was beyond reproach.

Now Der Spiegel, the German news *magazine*, has *documents* allegedly suggesting G&D was overcharging Buba for a chemical used in banknote printing during the 1980s. The central bank quickly pointed out that "for the time being we have no reasons to pronounce such a suspicion", adding that the price for this particular chemical appeared to have been in line with various competing offers. Indeed, the *Bavarian State Office of Price* Checks (that'a the nearest English translation for this curious institution) apparently okayed tha prices at the time. Still, Buba is investigating and its results will be *awaited eagerly. The idea that* Europe's monetary Cerberus might possibly have been the victim of price inflation should amuse some central banker somewhere.

## Defining moment

■ It may take the citizens of Europe a bit longer to accept the name of their new currency, but the Euro – the product of EU leaders' collective inspiration at the Madrid summit – is already in the dictionary.

Spain's Royal Academy of Exact, Physical and Natural Sciences has managed to get it into the latest edition of its dictionary of scientific and technical terms, due out next month. Not that Angel Martin Municio, the academy's president, ts much of an enthusiast for the Euro, pronounced eh-oo-ro in *Spanish*. "*A rather* ugly neologism," is his judgment.

By contrast, the authoritative dictionary of the Spanish language, published by the august Royal Spanish Academy, will not feature the new currency until its next edition in about two years' time. But it does already have an entry for the word "euro", defined as a wind "blowing from the east". Now that's a definition the English *lexicographers might usefully* consider when they come to include the new currency unit…

## Alarm bells

■ This is the year that Deutsche Telekom must improve its dismal image in the hope that clients will buy its shares when it is partially privatised later in 1996. Barely recovered from the uproar about the backers and the overseas sex chat calls billed to assorted other Deutsche Telekom clients, the company has now suffered further embarrassment, this time at the hands of its absent-minded computers. No doubt tied up with administering the hideously complicated tariff changes – which make local calls up to 156 per cent dearer – the machines forgot that new year's day was a holiday and billed thousands for peak-time weekday calls. Not that Observer ever subscribed to the myth of German efficiency in the first place.

## Hearty response

■ The medical bills are piling up at the Onasseion Cardiac Hospital in Athens where Andreas Papandreou, the Greek prime minister, has been in intensive care for the past six weeks.

But Papandreou's former wife Margaret, an American citizen, and their four children, are not *satisfied. They have now decided* they want him to be treated in the US, since they reckon that his lung and kidney problems cannot be sorted out at a hospital that specialises in open-heart surgery.

*President Bill Clinton has offered* to send a US military hospital plane to fly the Greek premier to Bethesda Naval Hospital in Washington – where Papandreou did national service as a medical orderly during the second world war. But can Greece's taxpayers afford to foot the bill? No problem, advisers say. As the prime minister is also commander-in-chief of the Greek armed forces, his medical expenses can be paid out of US military credits to Greece. With over $100m pouring yearly into the defence ministry's kitty, there is plenty of cash available to cover a prolonged stay in an American hospital.

## Moving target

■ Talk about moving the goal posts. World soccer governing body *Fifa has decided that the standard* goal, which has officially measured eight yards across by eight feet high for the last 130 years, is too small. Officials propose to widen it by the equivalent of two balls' width and make it one ball higher.

The practical difficulties of simultaneously updating several million football pitches around the world could only be outweighed by the problems of retraining players to miss a bigger target.

*The Financial Times*

## 100 years ago

**The Canadian danger**
Although war-clouds are looming all round, the little one *in the direction of Canada must* not be overlooked. It is in all probability not very heavily charged, and may pass away without any inconvenience. Precaution is therefore necessary, and we are glad to hear that steps are being taken to strengthen the Canadian Militia and the defences. It is satisfactory to learn that the precautions in favour of the Canadian frontier may convince even the belligerent Yankees that there is a nut to crack in that direction.

## 50 years ago

**US prospect in 1946**
Recently we suggested that the one certain prospect ahead of American industry was an increase in Labour strife. The relationship between employers and organised Labour has, in fact, deteriorated steadily since VJ-Day. Current claims and counter-claims between the automobile workers' union and General Motors, and between steel workers and employers, have been marked by a bitterness and virulence of abuse unparalleled since war began. The latest threat involves steel industry operations.

FINANCIAL TIMES
Thursday January 4 1996



# Chirac urges ministers to push on with reforms

## Employers and unions criticise draft law on apprenticeships

By David Buchan in Paris

President Jacques Chirec yesterday exhorted his ministers to pusb on with reform, but the French government's first legislative move of the year – approval of a draft law on apprenticeships – was criticised by employers as well as unions as insufficient to create youth jobs.

In tbe wake of last montb's public sector strikes – the worst for e decade – Mr Chirac told the cabinet that its programmes for cutting public deficits and unemployment were "tbe right ones", but that "we must now go further" in improving dialogue with the people.

Mr Alain Juppé, prime minister, responded to the strikes by dropping some of bis welfare reforms, promising to consult unions more on remaining reforms and pledging a new drive to cut unemployment, especially among the young. The jobless rate for those under 25 is around 22 per cent, or twice tbe national average.

The draft law approved by the cabinet will replace a number of apprenticeship schemes and incentives witb a single FFr13,000 ($2,600) a year public subsidy to companies hiring and training an apprentice. For the past few years, French govermments of left and right have been trying to ape Germany's success witb apprenticeships, hut the number of young entering these on-the-job training schemes bas risen only slowly, from 160,000 in 1994 to 170,000 last year, and one in four is said to leave without completing the apprenticeship.

Mr Bruno Lacroix, bead of the Patronat employers federation's training committee, noted yesterday that all forms of apprenticeship incentives, including tax credits, already totalled FFr16,000 a year for each apprentice, and complained the new suhsidy would bave to be nearly double its proposed level to make a serious dent in youth unemployment.

He said he was surprised at the government's lack of ambition when Mr Chirac bad talked in his new year message of mobilising the country to find jobs for its youtb. This criticism was made more barshly yesterday by Mr François Hollande, spokesman for the opposition Socialists, who accused the presldent of redeeming his promises in words alone.

But there was little or no sign yesterdey of the three main union federations involved in the strikes relaunching their protests against the remaining features of the Jnppé welfare reforms, mainly in the bealth sector.

However, their spokesmen all warned yesterday that some incident, perhaps a government gaffe or even just the first impact of a new 0.5 per cent welfare tax on this month's pay packets, could provide the spark for further action.

The communist-leaning CGT has called on its members in Electricité de France and Gaz de France to demonstrate today in support of wage and job claims at the state-owned utilities. Bnt the independent Force Ouvrière and the pro-Socalist CFDT have not joined the strike call at EdF and GdF.

The government yesterday set a ceiling of 3.4 per cent on the increase of the total wage bill of state-owned companies this year.

# Cathay cancels relocation move to Australia

By Louise Lucas in Hong Kong

Cathay Pacific, Hong Kong's de facto flag carrier whose position is under challenge from China, has reversed a decision to relocate its training facilities to Australia and said it will continue to train its pilots in the colony.

When it made the original decision in September, the airline said costs were the reason for shifting the operations. However, the ebout-turn was described by Cathay Pacific yesterday as also purely commercial, following a last-minute offer of cbeap land.

Executives say they have now calculated productivity would be eroded by the two-way eight-bour flight most pilots would have to make to receive training.

Cathay Pacific has come under pressure from various quarters since tbe original decision to relocate was announced four months ago.

Its longstanding dispute with Australia over Qantas' alleged abuse of its so-called "fifth freedom" rights (picking np excess passengers in Hong Kong for onward passage to other Asian cities) was only recently resolved in a way analysts say favoured Australia.

Cathay, majority-owned by the UK-controlled Swire Pacific, has also found itself forced to defend lts position after June next year, wben Hong Kong reverts to Chinese sovereignty.

China National Aviation Corporation (CNAC), the airline subsidiary of the Civil Aviation Authority of China (CAAC), appears intent on setting up ln Hong Kong, threatening Catbey's supremecy and, Cathay executives say, the foundations of Sino-British agreements on the post-1997 constitution.

In an attempt to deflect CNAC, Swire Pacific sought to offer it a stake in Dragon Airlines, a company owned 30 per cent hy Cathay and 13 per cent by Swire Pacific whicb mostly handles fligbts to Chine. These talks, which would have seen a 10 per cent slice sold to CNAC for HK$700m ($90m), appear to have come unstuck.

Cathay's cancelled move to Australia, involving an estimated investment of A$110m (US$81m), would not have heen tbe first sign of the flight carrier looking overseas: it has already moved data processing operations to Australia, again to cash in on cheaper land and wage costs.

A Cathay official also mentioned the carrier's planned 500-room staff hotel at Chek Lap Kok, the colony's new airport, which will enable it to put up visiting staff more cheaply.

The company was no longer concerned about a mass emigration of pilots after the 1997 handover, another factor behind the original decision to relocate, as many pilots were now based in their home country.

# THE LEX COLUMN

## Military mergers

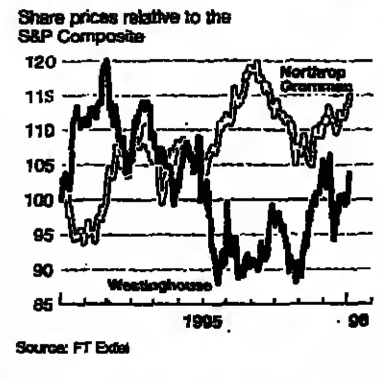
Northrop Grumman's $3bn acquisition of Westinghouse's electronic systems division marks a new phase in the US defence industry's consolidation. Last year's merger of Lockheed and Martin Marietta and Northrop's own purchase of Grumman and Vought Aircraft in 1994 brought together direct rivals. The rationale for these deals was to take out capacity in the face of shrinking military budgets. The latest transaction is a case of vertical integration, with Northrop – whose main activity is building aircraft like the B2 stealth bomber – taking over an electronics business which makes radar and command-and-control systems. The logic behind marrying the two skills is to produce so-called "systems integrators" which can act as prime contractors on big defence programmes. This was one of GEC's principal arguments in its unsuccessful attempt to get closer to British Aerospace.

Northrop is certainly prepared to pay up for the privilege. The price is about $1bn more than the Westinghouse unit was expected to fetch and Northrop will end up with debt of 1.4 times its market capitalisation. Westinghouse, by contrast, will repay most of the money borrowed for its $5.4bn purchase of the CBS television network. Two-thirds of its ongoing earnings will now come from broadcasting. But given the poor performance of its original power generation business, the group's transformation still fails to excite.

FT-SE Eurotrack 200: 1630.1 (+19.6)

Westinghouse and Northrop

Share prices relative to the S&P Composite




Source: FT Extel

### ITC/BAT Industries

The Indian conglomerate ITC is not proving a good advert for investment in India. First, there was the xenophobic spat with its largest shareholder, BAT Industries, over BAT's attempt to influence management succession and strategic direction. Now ITC has been hit with an Rs8bn ($228m) fine for alleged tax evasion, equivalent to 15 per cent of its market capitalisation. Of course, even if a proposed appeal is unsuccessful, it will delay payment for some years. Moreover, the tax fine is itself tax-deductible, thereby lessening the blow. Nonetheless, it is a significant sum, and does little for the reputation of a group which was trying to transform itself into India's premier multinational.

This is not entirely bad news for BAT. It may have to make a provision for its 32 per cent share of any fine, but the maximum would be around £40m. Moreover, the latest allegations of tax evasion should refocus ITC's attention on its core businesses of tobacco and financial services, rather than its ambitions to invest in anything from hotels to power stations.

It is also possible that BAT can provide financial aid in exchange for more shares. BAT wants to consolidate its global tobacco interests and ITC is an attractive target. It sells the majority of western-style cigarettes in a large and fast-growing market, and its share price is almost 40 per cent below its level at the start of 1995. Given the uproar over its last attempt to dictate events at ITC, however, it will require some slick diplomacy to win political support for increased control.

### National Lottery

Forget Mystic Meg. To win the British lottery, all you have to do is wait for a big jackpot, like this week's £30m-£40m prize, then buy tickets for all the 14m possible number permutations. Hey presto! You are bound to win the jackpot – plus thousands of smaller prizes. To do so, you only have to spend £14m on tickets and pay a small army of minions to fill them in for you.

Like most guaranteed money-spinners, this wheeze is hopelessly flawed. For a start, it assumes Camelot, the lottery operator, will not catch on; if it does, it can stop you buying tickets. There is a more fundamental snag. Although a win is guaranteed, to make money you must not share your jackpot with more than one other person. Compared to almost any investment, this looks a pretty poor bet. More than 80m tickets are likely to be sold for this week's game – around six for every possible permutation of numbers. An attempt to corner the market could, in fact, lead to spectacular losses: in January, a £16m jackpot was shared between 133 people. A similar split on Saturday would reduce a £35m jackpot to £263,000. Punters can reduce this risk by avoiding permutations they think will be popular – this may be the method used by the International Lotto Fund, a Melbourne syndicate – but only by lessening their chances of winning.

This does not mean no one will try to beat the system. If the world were not full of suckers, lotteries would not exist. In real life, though, the only guaranteed way to make money out of the lottery is to run it.

### Insurance

The first report on UK life assurance companies since new disclosure rules were introduced is an important step in making a complex market more transparent. The Personal Investment Authority's report compares fees charged by different companies. This information is publicly available but highlighting the gap between the highest and lowest chargers is still likely to bring margins under further pressure. Not surprisingly, companies are not keen on the idea, but fostering openness is part of the regulator's remit.

The companies' reservations about the disclosure of information on persistency rates – which show how many people keep up the policies they have taken out – is little better founded. A high rate of early surrender is clearly correlated with poor selling, since decisions based on sound advice are less likely to be reversed. Lapsed policies can of course be the result of changed personal circumstances. But companies selling to less wealthy individuals, who may face greater difficulty in keeping up payments, should already be taking their circumstances into account.

Broadly, increased scrutiny means companies with sound sales techniques and competitive fees will fare better. Low inflation and lower nominal returns have made it harder to charge high fixed fees. But there may be a virtuous circle for well-regarded companies which can generate more business and keep costs down, enabling them to charge lower fees and win more business. The missing link is investment performance. The regulator could usefully highlight anomalies in this area too.

# US budget

Continued from Page 1

have been under a news black-out, but it is understood that the principals have only begun to discuss tbe trade-offs both sides would have to make to produce an agreement. These would have to include tbe size and composition of tbe proposed $245bn Republican tax cut as well as the extent to which tbe growth in federal spending on programmes sucb as Medicare and Medicaid would be reduced.

Meanwhile, US embassies are operating on short commons. The one in Vietnam may bave to do witbout power because lt has no funds to pay a $1,600 electricity hill, while the Havana operation is threatened with baving its water cut off.

# Northrop

Continued from Page 1

Northrop said lt expected earnings per share of more than $5 in 1996 and predicted profits would grow by more than 10 per cent annually for "several" years, starting in 1997.

The combined busioesses should achieve sales of $10bn by 2000.

Westinghouse said operations remaining after completion of the defence and furniture sales would leave the group with annual turnover of $10bn, of which 45 per cent would come from broadcasting. In early afternoon trading on Wall Street yesterday, Northrop's share price was down $2¼ at $62½ and Westinghouse up $⅛ at $18.

# UK to go ahead with rail company flotation in May

By Geoff Dyer and George Parker in London

The privatisation of Railtrack, the company which has taken over British Rail's track, stations and signalling, will go ahead in May despite growing political opposition, the British government announced yesterday.

The flotation, which analysts expect to value the company at between £1.5hn ($2.3bn) and £2.5bn ($3.8bn), will follow tbe pattern of previous privatisations by offering large incentives to private investors.

The government intends to set aside at least 30 per cent of the shares in Railtrack for UK retail investors, altbough tbe size of the public offer can be increased if demand is strong.

This is less than the proportion of shares allocated to the public in National Power and PowerGen, the generators whose privatisation was completed last year, but more than in the sale of the water companies.

Institutions will be able to hid for shares througb an international offer using the bookbuilding method. SBC Warburg will be global co-ordinator for the flotation.

The opposition Labour party hopes to exploit Tory concerns over rail privatisation hy staging a House of Commons debate on the subject in the next few weeks, and winning the support of a number of rebels.

However, the fears of some Conservative MPs were assuaged wben they saw the shape of the first rail franchises – awarded last month – in which private operators promised better services and higher investment.

Labour bas refused to give details of how lt would keep its promise of retaining a "publicly owned, publicly accountahle rail network", for fear of making any binding pohlic spending commitments. Mr Brian Wilson, shadow transport minister, sought instead to deter investors hy creating a climate of uncertainty. "Investing in rail privatisation in the dying days of a Tory government would be an irresponsible course of action," be said.

Analysts said the lack of information about the company's financial structure made it impossible to value accurately. "We will need to see how much debt the government has decided to leave in there first," said Mr Ian Wild, analyst at Barclays de Zoete Wedd.

Mr Richard Aitken-Davies, Railtrack's director responsible for privatisation, said "substantive negotiations" with the government over a reduction in the company's £1.7bn debts had not begun yet. It is understood that Railtrack is pushing for a £1bn write-down of its debts.

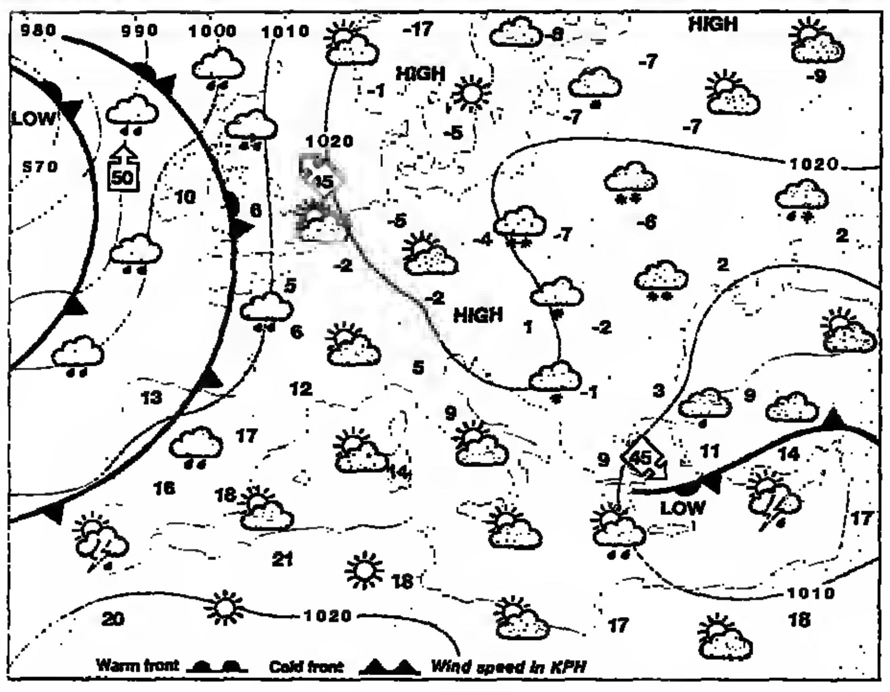
## FT WEATHER GUIDE

### Europe today

A frontal zone will slowly move across the British Isles, Brittany and the western Iberian peninsula. It will produce rain in Scotland, England, Brittany, Portugal and north-western Spain. Ireland will be dry with sunny periods except for a few showers in the north. Dry conditions with bright sunny spells will prevail from the Low Countries to as far south as eastern Spain but cloud will linger across northern France, Belgium and Germany. Italy, the Croatian coast, Albania and Greece will be settled and sunny. A low in the eastern Mediterranean will cause unsettled conditions with wind and showers in Turkey and Cyprus. An upper air disturbance will cause snow from Romania to the Baltic states. Russia and southern Scandinavia will be settled.

### Five-day forecast

Portugal will be unsettled with a lot of rain. Low pressure will develop in the central Mediterranean on Saturday resulting in occasional rain along the Riviera and on Sardinia and Sicily. The rain will linger in the eastern Mediterranean on Sunday. An Atlantic low pressure system will direct frontal systems with rain towards France.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

**TODAY'S TEMPERATURES**

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | sun | 26 |
| Accra | fair | 32 |
| Algiers | fair | 21 |
| Amsterdam | fair | -1 |
| Athens | fair | 11 |
| Atlanta | fair | 8 |
| B. Aires | fair | 32 |
| B.ham | rain | 5 |
| Bangkok | sun | 30 |
| Barcelona | fair | 14 |
| Beijing | sun | 5 |
| Belfast | shower | 9 |
| Belgrade | snow | -3 |
| Berlin | cloudy | -3 |
| Bermuda | rain | 24 |
| Bogota | fair | 20 |
| Bombay | sun | 30 |
| Brussels | cloudy | 0 |
| Budapest | cloudy | -2 |
| C.hagen | fair | -2 |
| Cairo | cloudy | 18 |
| Cape Town | sun | 29 |
| Caracas | fair | 29 |
| Cardiff | rain | 7 |
| Casablanca | fair | 22 |
| Chicago | snow | -3 |
| Cologne | fair | -1 |
| Dakar | fair | 33 |
| Dallas | sun | 17 |
| Delhi | sun | 23 |
| Dubai | fair | 26 |
| Dublin | cloudy | 10 |
| Dubrovnik | sun | 8 |
| Edinburgh | rain | 6 |
| Faro | rain | 17 |
| Frankfurt | fair | -3 |
| Geneva | fair | 2 |
| Gibraltar | shower | 17 |
| Glasgow | rain | 8 |
| Hamburg | cloudy | -6 |
| Helsinki | cloudy | -7 |
| Hong Kong | fair | 22 |
| Honolulu | fair | 29 |
| Istanbul | rain | 7 |
| Jakarta | shower | 28 |
| Jersey | rain | 10 |
| Karachi | sun | 28 |
| Kuwait | fair | 21 |
| L. Angeles | fair | 18 |
| Las Palmas | fair | 23 |
| Lima | cloudy | 26 |
| Lisbon | rain | 16 |
| London | rain | 7 |
| Lux.bourg | cloudy | -2 |
| Lyon | fair | 4 |
| Madeira | shower | 21 |
| Madrid | shower | 13 |
| Majorca | fair | 17 |
| Malta | fair | 15 |
| Manchester | rain | 6 |
| Manila | cloudy | 27 |
| Melbourne | drzzl | 23 |
| Mexico City | sun | 19 |
| Miami | fair | 20 |
| Milan | fair | 3 |
| Montreal | snow | -17 |
| Moscow | cloudy | -8 |
| Munich | fair | -3 |
| Nairobi | thund | 27 |
| Naples | sun | 10 |
| Nassau | fair | 26 |
| New York | fair | 1 |
| Nice | fair | 13 |
| Nicosia | rain | 16 |
| Oslo | fair | -10 |
| Paris | cloudy | 5 |
| Perth | fair | 31 |
| Prague | cloudy | -3 |
| Rangoon | sun | 30 |
| Reykjavik | shower | 7 |
| Rio | fair | 29 |
| Rome | sun | 11 |
| S. Frsco | cloudy | 15 |
| Seoul | cloudy | 3 |
| Singapore | cloudy | 29 |
| Stockholm | cloudy | -6 |
| Strasbourg | cloudy | -1 |
| Sydney | rain | 22 |
| Tangier | shower | 18 |
| Tel Aviv | shower | 18 |
| Tokyo | cloudy | 10 |
| Toronto | cloudy | -14 |
| Vancouver | rain | 4 |
| Venice | fair | 7 |
| Vienna | fair | -3 |
| Warsaw | cloudy | -6 |
| Washington | fair | 3 |
| Wellington | cloudy | 19 |
| Winnipeg | sun | -20 |
| Zurich | cloudy | 0 |

FINANCIAL TIMES
# COMPANIES & MARKETS
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## IN BRIEF

### BK Vision setback in battle with UBS

BK Vision, the investment fund controlled by Mr Martin Ebner's BZ banking group, has suffered a setback in one of its legal actions against Union Bank of Switzerland. A Zurich court has rejected an appeal by BK to have a special investigator appointed to examine various transactions in UBS shares in advance of a controversial shareholders meeting in November 1994. Page 12

**France Télécom sues Poland**

France Télécom is seeking around $500m in damages from Poland and has asked the International Court of Justice to step in over a dispute with Warsaw over mobile telephone networks. The state-owned operator said Poland had failed to honour a pledge made in 1991 to allow it to run a GSM cellular network through PTK/Centertel, in which France Télécom owns a 24.5 per cent stake. Page 12

**CBoT plans Argentine venture**

The Chicago Board of Trade has signed a letter of intent to develop a financial futures and options exchange in Argentina. The venture, which would be undertaken jointly with the Buenos Aires stock exchange and the Buenos Aires chamber of commerce, would be the Chicago futures market's first entry into Latin America. Page 13

**Siam Pulp and Paper moves into Indonesia**

Siam Pulp and Paper PCL, an arm of the big Thai conglomerate Siam Cement, has bought 30 per cent of a $1bn Indonesian pulp joint venture, its first overseas investment. Thailand's biggest paper products company is seeking to diversify overseas and secure a pulp supply outside its depleted domestic base. Page 13

**Rogers plans to list on NYSE**

Canada's broadcasters and cable TV operators are set to gain a wider exposure to international capital markets in the wake of a proposed relaxation of foreign ownership rules. Rogers Communications, the country's biggest cable operator, announced it plans to list its non-voting Class B shares on the New York Stock Exchange. Page 13

**GA starts management reshuffle**

General Accident, the composite UK insurer, has begun a revamp of its senior management by confirming Mr Bob Scott as chief executive succeeding Mr Nelson Robertson, who retired at the end of last year. Page 14

**Bridon shares decline after warning**

Shares in Bridon fell 12 per cent yesterday after the wire and wire rope manufacturer announced that an unexpected recent downturn in its main markets would leave profits for 1995 short of the previous year's total. Page 14

**Weinberg venture takes over Lifetime**

Life Assurance Holding Corporation, the joint venture between New York Life Worldwide and Sir Mark Weinberg, a leading figure in the UK life industry, is taking over the UK business of Lifetime Assurance, part of the Bank of Ireland. Page 14

**Eurotherm chief makes paper profit**

Mr Claes Hultman, chief executive of Eurotherm, yesterday made a paper profit of £1.16m ($1.8m) by exercising share options in the industrial controls manufacturer. Page 14

**Companies in this issue**



**Market Statistics**



**Chief price changes yesterday**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **FRANKFURT (DM)** | | | | **Falls** | | | |
| **Rises** | | | | Hornsagiskt | 52½ | - | 3½ |
| Allianz | 2891 | + | 46 | Muller Ticking | 3⅞ | - | ½ |
| Bayer | 358.8 | + | 10.1 | PC Docs | 24½ | - | 1 |
| Bil & Berg | 567 | + | 24 | **PARIS (FFr)** | | | |
| Colonia | 540 | + | 29 | **Rises** | | | |
| Hochtief | 635 | + | 23 | Accor | 657 | + | 16 |
| **Falls** | | | | Air Liquide | 846 | + | 16 |
| VEW | 512 | - | 49 | Bouygues | 542 | + | 22 |
| **NEW YORK ($)** | | | | Chargeurs | 1016 | + | 43 |
| **Rises** | | | | Eco | 768 | + | 23 |
| Jacor & Jwen | 87⅛ | + | 3⅛ | **Falls** | | | |
| **Falls** | | | | Sda Resgal | 1320 | - | 29 |
| Apple Mutb | 36⅛ | - | 3⅛ | **HONG KONG (HK$)** | | | |
| Lam Research | 41⅞ | - | 4⅜ | **Rises** | | | |
| Micron | 39⅞ | - | 1⅞ | Citic Pacific | 28.5 | + | 1.55 |
| Northrop | 62⅞ | - | 2 | HKR Intl | 7.6 | + | 0.5 |
| Novellus Sys | 48⅞ | - | 3⅞ | QPL Intl | 8.85 | + | 0.5 |
| **LONDON (Pence)** | | | | **Falls** | | | |
| **Rises** | | | | Healing Hds | 0.81 | - | 0.14 |
| Boocorpables | 515 | + | 40 | Seapower Intl | 2.85 | - | 0.20 |
| CI | 797 | + | 32 | Tat Desery | 5.05 | - | 0.25 |
| Rexam | 376 | + | 19 | **BANGKOK (Baht)** | | | |
| Telepac | 850 | + | 27 | **Rises** | | | |
| **Falls** | | | | Krung Thai | 132.0 | + | 10.0 |
| Savoy A | 940 | - | 106 | Multi Credit | 158.0 | + | 14.0 |
| United Utils | 594 | - | 15 | PTT Exp | 284.0 | + | 20.0 |
| **TORONTO (C$)** | | | | **Falls** | | | |
| **Rises** | | | | Phatra Ins | 148.0 | - | 15.0 |
| Bonail | 119 | + | 6⅛ | Dacon Pioneer | 21.0 | - | 2.0 |
| Doman A | 17⅞ | + | 1⅞ | Util Motor | 111.0 | - | 12.0 |
| Snow Inds B | 13⅞ | + | 1⅞ | | | | |

Tokyo closed. New York and Toronto prices at 12.30pm.

# ITC to fight $228m tax evasion fine

By Mark Nicholson in New Delhi and Neil Buckley in London

ITC, India's biggest tobacco company, said yesterday it would contest in court a Rs7.99bn ($228m) fine for alleged tax evasion imposed by India's excise commissioner. But its share price fell a Rs8, or 3 per cent, to Rs234 in Bombay, amid concern over the size of the demand.

ITC, an associate of BAT, the UK-based tobacco to financial services group, claims to be India's biggest corporate taxpayer. Officials said its lawyers were examining the excise evasion allegations in a 1,263 page ordar submitted by Mr Somnath Pal, the excise commissioner, on Tuesday.

The commissioner imposed separate fines totalling Rs32m on six ITC officials.

Yesterday's slump in ITC's share price followed a Rs8 fall on Tuesday from Rs250 on media reports of the excise demand.

Mr Pal's demand follows a dispute dating back to 1987 about cigarette pricing. ITC is alleged during the four preceding years to have printed a lower maximum retail price on packets of some brands than it made retailers charge, while using the printed packet price for its excise assessments – thus allegedly reducing its tax bill.

"We have been after them for a while," said one excise department official.

However, the company said: "ITC believes that it had at no time knowingly transgressed the law." The company added it would appeal to India's Customs, Excise and Gold (Control) Tribunal, while individuals would pursue concurrent appeals.

The tax demand is seen as a further blow to ITC, which last year was embroiled in a bitter boardroom wrangle between Mr Krishan Lal Chugh, ITC's then chairman, and BAT, which with just under 32 per cent is its biggest shareholder.

BAT declared it had lost faith in Mr Chugh's management and, although the chairman eventually resigned, his replacement by Mr Yogesh Deveshwar, previously deputy chairman, last month was widaly perceived as a defeat for BAT. Mr Deveshwar, who officially took over as chairman on Monday , has made no comment on the excise demand.

BAT played down the impact any fine would have on the group. "The point is that even if [ITC] does end up having to pay this, BAT's share would only be 32 per cent."

Analysts in Bombay described the tax demand as "serious", but said the appeal could delay payment by more than three years if ITC were found guilty.

ITC last month reported a 22 per cent rise in net profits to Rs1.41bn for the half year to September.

Lex, Page 10

# Founder of Ikea rules out family succession

By Hugh Carnegy and Stellan Björk in Stockholm

Mr Ingvar Kamprad, Swedish founder of the Ikea furniture store empire, has disclosed that he does not want any of his three sons to become chief executive of the worldwide chain.

He has also structured Ikea to restrict his and his family's access to the capital of the Ikea businesses – estimated to be worth about SKr50bn ($7.5bn) – in an effort to ensure that the privately held organisation is not broken up or sold off in a succession battla after he retires.

Mr Kamprad, 69, who founded Ikea in southern Sweden 53 years ago, revealed his intentions for the next generation to the Swedish business magazine Manadens Affärer, which publishes his rare public comments today.

He said be did not think it "a good idea" for any of his sons – Peter, 31, Jonas, 29, or Mathias, 26 – to become chief executive of the core operations because of the risk that disputes between them could damage the business. "They accept my reasoning," he said.

Mr Kamprad retired as chief executive of the core retailing operation in 1986, handing over to the present incumbent, Mr Anders Moberg, who is not a member of the family. But be remains in day-to-day touch with the operations as chairman of the main Ikea organisations.

He wants to be sure that Ikea will survive him intact, preserving both its profitability and its egalitarian culture, based firmly on Swedish social and design values. He rejects any move to take Ikea public, saying a stock exchange listing would hinder "the long-term way we want and need to work".

Instead, he has built a three-part structure for the governance of Ikea comprising the retailing operations, an organisation bolding the franchise and trademarks, and a third business mainly involved in finance and banking. The first two, which form the core of the group, are ultimately controlled at arm's length by trust-like organisations.

The family will continue to have "influence-rich roles" in the governance of Ikea, but will not have access to the capital, or the right to inherit it, according to Mr Kamprad.

Safeguarding the future, Page 12

# Hutchison revamps telecoms operations

By Louise Lucas in Hong Kong and Alan Cane in London

Hutchison Whampoa, the Hong Kong-based conglomerate controlled by Mr Li Ka-shing, yesterday reorganised its telecommunications interests in an effort to impeove productivity and cost effectiveness.

Mr Canning Fok, group managing director, said that a new company, Hutchison Telecommunications (Hong Kong), would consolidate marketing and other operations of the group's mobile telephone, fixed line and paging services in Hong Kong. The new alignment would belp it meet growing competition in Hong Kong's rapidly deregulating market.

The businesses are being split into three regions: Europe, east Asia and Hong Kong.

The group has bought back a 25 per cent stake in its domestic paging business from Motorola of the US, for an undisclosed sum. Mr Fok would not elaborate on whetber Motorola also intended to end its relationship with Hutchison in the cellular pbone business.

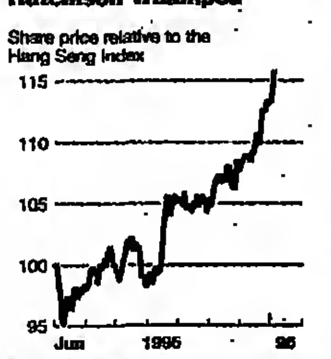
Flotation of Hutchison Orange, the group's cellular telephone operation in the UK, is still under discussion. Orange has signed more than 300,000 customers and is growing rapidly. Bankers believe Orange could bave a £2bn ($3.1bn) flotation value.

Mr Fok said: "We have no date for the listing of Orange. We have received a number of proposals and the board of Hutchison Whampoa is currently examining these."

Asked wbicb banks were involved in plans for the float, Fok said: "Just about everyone."

The reorganisation comes before a key decision by the Hong Kong telecoms regulator on the award of a further batch of personal communications services and cordless access service mobile licences.

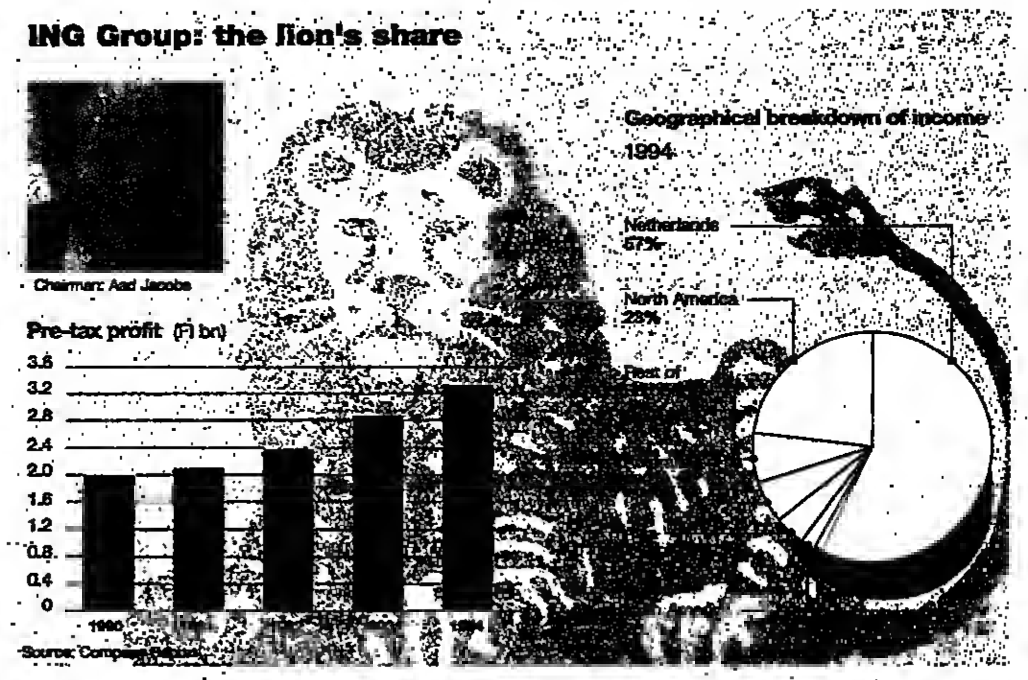
Originally scheduled for issue last summer, the licences have been delayed by Beijing, whose approval is required as the term of the licences will straddla the Jnne 1997 handover of Hong Kong from the UK to China.



Source: FT Extel

## Dutch financial group is taking a broad view of bancassurance

# Respectable ING reaps rewards of a little daring



Source: Company reports

An association with one of the most spectacular financial collapses in decades might not seem the best thing for a respectable banking and insurance group.

But ING, the Dutch integrated financial services group, has found that its takeover of Barings, the bank that failed last year under the weight of massive losses from uncontrolled trading in its Singapore office, has done wonders for its image.

For the first time since the group was formed in 1991 from the merger of insurer Nationale-Nederland with the NMB Postbank bank, group subsidiaries around the world, including the insurance business in Singapore, are queueing up to add the prefix ING to their names.

"We look back at 1995 as an exciting year. We will use the year 1996 to show our financial strength," said Mr Aad Jacobs, ING's chairman, in an interview at the group's Amsterdam headquarters.

With strong positions in Dutch insurance and banking, ING has been seeking to expand outside its home market. Although it has been building operations in developed countries, its focus has been on Latin America, Asia and eastern Europe. It has a reputation for pushing into countries such as Cuba and North Korea before its rivals.

"We have been a little bit ahead of the other lemmings," said Mr Jacobs. Exotic locations were worth the investment because of the publicity they generated, even if they never made a penny of profit.

An investment bank was not originally at the top of ING's shopping list. The banking side had wanted to acquire a retail banking operation outside the Netherlands to complement its domestic bank branches and Postbank, which specialises in home banking and direct sales.

"We have looked at the possibility of acquiring a retail bank, but we have found out that they are very expensive. Most are very big and they are in saturated markets. We said to ourselves: 'Can't we use our money in a better way?'" Mr Jacobs said.

One of those better ways is electronic banking, which the ING board will launch this year in a country outside Europe. Another was Barings, which ING had looked at as a possible acquisition but which became more affordable after its collapse.

Mr Jacobs began his career in the investment management side of what was then De Nederlanden van 1845 insurance company, and has a clear idea of the returns be expects. For start-up insurance companies, the goal is to achieve a profit within six to eight years. At the end of that, the new business must have the prospect of achieving at least an 11 per cent return on investment in guilders, together with 10 per cent growth rates.

For banks, the targets are the same, Mr Jacobs says, bnt it should be clear within two years whether an investment will be profitable.

Although Barings did not meet ING's profit targets in 1995, Mr Jacobs is sanguine about its medium-term prospects. He blames the profits shortfall last year on the weakness of emerging markets. Earnings for the securities division were hit by the collapse of the Mexican market and by the fact that the strength of Europe and North America distracted investors from smaller markets.

"On the corporate finance side Barings had a fantastic year, more than we had expected. On the emerging markets side they made less than we had thought, but yon can hardly blame Barings for that," Mr Jacobs said.

Besides its direct profits contribution, Mr Jacobs believes Barings helped the group to become involved in many more deals.

ING's commitment to "bancassurance" – the combining of banking and insurance operations in one integrated financial services group – has also led it into new deals.

ING takes a much broader view of bancassurance than just the cross-marketing of products. Mr Jacobs sees the combination as offering a spectrum of financing to corporate clients, with tha banking side of ING providing shorter-term borrowing, while the insurance side offers longer-term financial support.

Mr Jacobs cites the transaction in which PCM, a Dutch newspaper publisher, bonght two national titles from Reed Elsevier, the Anglo-Dutch publisher. ING lent PCM part of the purchase price of more than Fl 800m (£320m) but also provided financial support in the form of long-term equity capital. This resulted in ING owning a 35 per cent stake in PCM. "Neither the insurance side nor the banking side could have done the deal on its own."

This commitment to bancassurance has already begum to pay off in the Netherlands.

Nationale-Nederlanden is selling an increasing proportion of its life policies through the 360 offices of ING Bank. "Bank offices sold more than 10 per cent of new life insurance business in the last year in the Netherlands," said Mr Jacobs.

On top of this, the Dutch life operation also generates 3 to 4 per cent of its new sales through Postbank.

By the end of 1998, the percentage of new lifa business sold through ING Bank is expected to grow to roughly 15 per cent. "Much later on, somewhere in the next decade, we think at least 20 per cent of our total insurance prodnction can come from the bank offices."

ING Group is also witnessing increased sales of mutual funds and other banking prodncts through its insurance intermediaries and tied agents.

Elsewhere, bancassurance has been launched in Greece, Australia and Poland, where life policies are sold through Bank Slaski, in which ING holds a 26 per cent stake.

ING maintains a list of 10 countries in which it wants to launch life assurance operations. In some of these, such as Slovakia and Romania, it has a banking presance through ING Bank, creating scope for further expansion of bancassurance.

**George Graham and Ronald van de Krol**

# Aston Martin makes U-turn into US

By Haig Simonian in Detroit


The DB7 coupe, starting at $125,000, has attracted 60 advance orders

Aston Martin Lagonda, the UK maker of exclnsive sports cars much loved by secret agent James Bond, expects to boost sales this year by returning to the US market after a three-year break.

Mr David Price, AML's new executive cbairman, said the company hoped to sell about 200 cars in the US in 1996. Unveiling the DB7 conpe at the Detroit motor show, he said sales would start in the middle of the year through an expanding US dealer network, now comprising 21 outlets.

The company already had advance orders for 60 of the cars, he said. Prices for the DB7 start at $125,000. The return to the US should raise AML's total output to between 700 and 750 cars this year, against 600 in 1995.

AML does not disclose its earnings but he hinted that the boost to production would mean AML, which is owned by Ford, would return to profit in 1996. Mr Price, a former senior executive of the Autolatina joint venture between Ford and Volkswagen, said AML would not have survived without Ford's backing.

Mr Alex Trotman, Ford's chairman, said the group's share of the world car and truck market had climbed to 13.4 per cent from 13.2 per cent in 1994. In the US, Ford's share of car and truck sales rose 1 per cent last year.

Indian car plant, Page 13

# INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

## Banca del Gottardo hit by provisions

Banca del Gottardo, the Swiss bank controlled by Sumitomo Bank of Japan, has reported a 7 per cent slide in parent company net profit in 1995 to SFr53m ($45.81m) as weaker results from lending offset advances in securities and currency trading. At the operating level, the bank said its securities dealing activities were gradually stepped up and appreciable results were obtained in the forex sector, offsetting the effect of a decline in revenues resulting from "unsatisfactory net interest margins".

The final result was depressed by the bank's decision to raise its provisions and write-offs by 23 per cent to SFr97.7m. This reflected the heightened risk in the property and commercial sector and the decline in property values. Cash flow surged from SFr136.5m to SFr150.7m because of the liquidation of one of the bank's participations. Total assets at the end of 1995 stood at SFr8.5bn, 9 per cent higher than a year earlier. The board has proposed an unchanged SFr25 dividend on the shares and participation certificates. It is also proposing the conversion of the participation certificates into shares at the annual meeting on April 24. *Ian Rodger, Zurich*

## Danisco buys Campbell Soup unit

Danisco, the Danish food, beverages and packaging group, will become one of Europe's 10 largest producers of frozen vegetables following an agreement to acquire the Dutch frozen vegetable producer Groko from Campbell Soup of the US.

The two companies together will have a turnover of about DKr1.6bn ($288m), said Danisco, which will pay DKr254m for the Dutch company. Groko, which markets frozen spinach, vegetable mixes and soups, has a staff of about 325. Danisco said the acquisition would strengthen it in north and central European markets and make Danisco Foods a more attractive supplier to the retail trade. *Hilary Barnes, Copenhagen*

## Brazil bid by Philip Morris

Philip Morris of the US has made an offer for Lacta, one of Brazil's biggest foodstuffs companies. Philip Morris made a $100m bid on Tuesday and offered to take on Lacta's debts of $70m. There was no immediate indication as to whether the offer would be accepted. Philip Morris already has a 40 per cent stake in Lacta, as well as other food company holdings in Brazil. The offer to take over Lacta appears to follow a trend by Philip Morris to expand its food holdings.

Tobacco sales by Philip Morris are second in Brazil only to Souza Cruz, a subsidiary of BAT of the UK. Lacta was Brazil's 15th largest food company in 1994, with sales of $411m and profits of $6.4m. Lacta stock is traded on the São Paulo Stock Exchange, Brazil's largest. *AP-DJ, São Paulo*

## Pechiney Int in Capolo deal

Pechiney International, the packaging arm of privatised French aluminium company Pechiney, is exercising its option to increase its stake in Capolo, an Italian packaging company, to 100 per cent from 40 per cent. It said Capolo had 1995 turnover worth FFr920m ($189.88m). The company operates six food and industrial can factories and employs 800 people. Pechiney said the 60 per cent of Capolo which Pechiney did not already own was held by Comprehensive Finance, a company controlled by Capolo managers.

Pechiney said the transaction was expected to be closed "very shortly" but did not disclose the deal's value. *Reuter, Paris*

## France Télécom sues Poland for $500m

France Télécom is seeking around $500m in damages from Poland and has asked the International Court of Justice to step in over a dispute with Warsaw over mobile telephone networks, Reuter reports from Paris.

The state-owned operator said Poland had failed to honour a pledge made in 1991 to allow it to run a GSM cellular network through PTK/Centertel, in which France Télécom owns a 24.5 per cent stake.

It said in a statement that $500m represented the amount invested in Centertel's infrastructure as well as the loss of projected future earnings.

Mr Jozef Oleksy, the Polish prime minister, has said he has become involved in seeking to end the dispute which pits Warsaw's telecommunications ministry against France Télécom and its fellow investor Ameritech of the US. Ameritech has already initiated arbitration proceedings.

France Télécom said it had asked the International Court in The Hague to set up arbitration and a referee would be chosen within days.

It said that its legal suit, filed on Tuesday, singled out Poland and particularly its telecommunications operator, TPSA.

● Three consortia, including both Polish and foreign companies, have tendered for two licences to set up and operate GSM mobile telephone services in Poland, according to Poland's Ministry of Communications, writes Hilary Barnes in Copenhagen.

Denmark's TeleDanmark and the US mobile phone operator AirTouch Communications have joined Petrochemie Plock, Poland's largest oil refiner, and KGHM Polska Miedz, a copper mining group, in one consortium.

US West is the main foreign partner in a second consortium headed by Polish trading company Elektrim, while Italy's Stet partners Polish chemical trader Ciech and other Polish companies in a third consortium.

## Setback for BK Vision in battle with UBS

By Ian Rodger in Zurich

BK Vision, the investment fund controlled by Mr Martin Ebner's BZ banking group, has suffered a setback in one of its legal actions against Union Bank of Switzerland.

A Zurich court has rejected an appeal by BK to have a special investigator appointed to examine various transactions in UBS shares in advance of a controversial shareholders meeting in November 1994.

BK Vision, UBS's largest shareholder, has charged that UBS directors purchased shares on a forward basis in advance of the meeting to influence the outcome of a vote to convert registered shares into bearer shares.

Shortly after the meeting, it won an injunction blocking implementation of the conversion and filed a legal action to annul the vote.

It also sought appointment of a special investigator, a remedy provided in the 1992 Swiss companies law to minority shareholders who feel their questions have not been adequately answered by directors.

The judge ruled that some of the issues raised by BK Vision as justification for a special investigation were being examined in other legal proceedings.

UBS said the decision supported its view that it had provided complete and accurate information on the transactions and no further investigation was necessary. BK Vision declined to comment pending study of the decision.

The fundamental issue raised by the transactions – whether a vendor of shares under a forward contract should be allowed to vote those shares – is still to be decided by the Zurich commercial court.

Under Swiss law, companies are not allowed to vote their own shares at a shareholders' meeting. In this case, UBS bought a large volume of shares on a forward basis, bridging the meeting date. That left the vendor free to vote them, even though he no longer held the financial risk.

UBS filed its reply to BK Vision's counter-arguments last month.

BK Vision filed criminal charges last March against certain UBS executives for allegedly wilfully damaging the bank through share purchases on unfavourable terms, and opened civil charges against the board of directors last October for alleged breaches of their fiduciary duty.

## Ikea takes steps to safeguard its future

### The head of the Swedish retailer has laid out a complex structure to spread control

Mr Ingvar Kamprad, the reclusive Swedish retailing entrepreneur, has over more than five decades built his Ikea chain of furniture stores into a worldwide success story. Now, at 69, he is taking steps to secure its future.

The way he has chosen is as distinctive as Ikea itself. The complex governance structure keeps the group private, yet at the same time restricts the inheritance rights of his family and its ability to make fundamental changes in how it is run.

His intentions for the next generation, disclosed today in rare comments in the Swedish business magazine Manadens Affärer, reflect his desire that Ikea should not become a victim of a succession battle or be broken up.

Mr Kamprad, who founded Ikea 53 years ago in the small town of Almhult, did not specify when he would step down as chairman of the main Ikea organisations. Although he gave up the post of chief executive nine years ago, he remains actively involved. His role is a vital one, as the visionary whose commitment to Swedish design values and Ikea's egalitarian corporate culture continues to shape the organisation and produce results.

Ikea now has 124 stores in 26 countries. Although it does not publish detailed accounts, turnover in its core retailing operations in the 1994-95 financial year rose 5 per cent to

Ikea furniture stores have become a worldwide success story

SKr39bn ($5.88bn). Profits after tax in 1994-95 are estimated by Manadens Affärer to have reached about SKr2.5bn.

But a feature of Mr Kamprad's plans is that none of his three sons – Peter, 31, Jonas, 29, or Mathias, 26 – should become chief executive of the core operations. He fears that disputes between them could damage the business.

He said he had discussed the issue with the three – who all work in different parts of the Ikea sphere – "and they accept my reasoning". Mr Kamprad has also rejected any move to make Ikea a public company.

"A stock exchange listing means it is more difficult to work in the long-term way we want and need to work. Shareholders demand faster returns on their money. Money also goes in dividends. A stock exchange company is also at risk from a hostile takeover," he told Manadens Affärer.

Instead, Mr Kamprad has divided his empire into three parts. The biggest is Ikeakoncernen, which runs most of the retail outlets and is responsible for the design, production and distribution of the distinctive Swedish-style, low-priced furniture range. Ikeakoncernen has headquarters in Denmark, but is ultimately owned by a Netherlands-based foundation, Stichting Ingka Foundation. Ikea executives have not quarrelled with estimates that put its worth at SKr35bn-SKr40bn were it to be publicly quoted.

Closely tied to Ikeakoncernen is Inter Ikea. It owns the Ikea franchise, trademark and copyright and is therefore the well-spring of the retailing operation. It earns a royalty of about 3 per cent of Ikeakoncernen's turnover – and that of the minority of independent Ikea franchise holders. Inter Ikea has capital of SKr7bn-SKr8bn and is controlled by an organisation which has the characteristics of a foundation.

A third leg is Ikano-koncernen, involved in banking, finance and majority owner of the Habitat stores in the UK, with an estimated bourse-equivalent value of SKr3bn-SKr5bn. It is owned by Peter, Jonas and Mathias Kamprad.

Mr Ingvar Kamprad, for some years based in Lausanne for tax reasons, remains the key figure in Ikeakoncernen and Inter Ikea, chairing both companies. He accepts his sons will play an important part in steering the organisation in future – even if he does not want any of them to be the chief executive. "They want and will have an influence-rich role in the group," he said.

But Mr Kamprad has deliberately ensured that the legal structure of the bodies which control Ikeakoncernen and Inter Ikea – the joint core of the Ikea operations – prevent the family, himself included, from having any access to, or right to inherit, their capital.

Only one family member – at present Ingvar Kamprad himself – has the right to a seat on the board of the Stichting Ingka foundation.

Furthermore, it is understood that up to half the equity of Inter Ikea can be made available to Ikeakoncernen to bail it out of any financial problems.

Mr Kamprad's plans for Ikea's post-founder future coincide with similar transition periods looming in the dynasties which control a large chunk of Sweden's industry.

The most famous – the Wallenberg empire – is run by Mr Peter Wallenberg, the fourth generation family patriarch who will be 70 this year. His son Jacob and nephew Marcus are set to take over from him at an unspecified date, inheriting clear control over a series of Swedish blue chips such as Astra, Electrolux, Ericsson, Scania and Stora.

Mr Kamprad acknowledges that by opting against both control by the family and public ownership, there is a risk that the entrepreneurial drive that he has imparted to Ikea for more than five decades could be lost.

"The scare scenario is that the ownership responsibility will be discharged by some sleepy bureaucrat on a foundation," he told Manadens Affärer.

His hope is that the structure he has designed will result in Inter Ikea providing the necessary impetus as it relies on its royalty from the retail operations for its prosperity.

**Hugh Carnegy and Stellan Björk**

*Stellan Björk is a Swedish free-lance business journalist specialising in management and corporate structures*



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 04.01.96 / Final Prices for Trading on 07.12.95

| 1/2 hour period ending | Pool purchase price £/MWh | Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 9.03 | 31.71 | 35.20 |
| 0100 | 12.85 | 38.61 | 42.09 |
| 0130 | 32.13 | 35.75 | 39.24 |
| 0200 | 32.13 | 35.75 | 39.24 |
| 0230 | 12.85 | 31.71 | 35.20 |
| 0300 | 46.13 | 31.71 | 35.20 |
| 0330 | 16.13 | 31.71 | 35.20 |
| 0400 | 12.86 | 31.59 | 35.08 |
| 0430 | 12.52 | 31.59 | 35.08 |
| 0500 | 12.82 | 31.59 | 35.08 |
| 0530 | 12.88 | 31.97 | 35.46 |
| 0600 | 9.01 | 31.97 | 35.46 |
| 0630 | 12.66 | 31.99 | 35.49 |
| 0700 | 12.88 | 35.90 | 40.11 |
| 0730 | 28.73 | 44.98 | 51.05 |
| 0800 | 25.13 | 57.73 | 65.65 |
| 0830 | 25.44 | 76.77 | 85.91 |
| 0900 | 26.50 | 81.60 | 91.48 |
| 0930 | 25.74 | 80.80 | 90.41 |
| 1000 | 28.49 | 77.28 | 86.25 |
| 1030 | 37.22 | 62.38 | 70.55 |
| 1100 | 37.26 | 61.38 | 69.68 |
| 1130 | 37.29 | 69.62 | 79.03 |
| 1200 | 41.39 | 81.74 | 92.52 |
| 1230 | 41.28 | 98.92 | 110.17 |
| 1300 | 37.23 | 99.77 | 111.19 |
| 1330 | 28.47 | 88.17 | 98.72 |
| 1400 | 28.45 | 85.16 | 95.39 |
| 1430 | 25.75 | 73.24 | 82.77 |
| 1500 | 25.71 | 68.43 | 77.53 |
| 1530 | 25.74 | 88.12 | 100.80 |
| 1600 | 25.93 | 264.80 | 306.16 |
| 1630 | 49.74 | 687.56 | 787.47 |
| 1700 | 78.04 | 1052.82 | 1149.09 |
| 1730 | 104.00 | 1108.12 | 1180.52 |
| 1800 | 84.05 | 840.10 | 905.34 |
| 1830 | 43.60 | 483.70 | 538.24 |
| 1900 | 35.04 | 284.88 | 320.75 |
| 1930 | 33.32 | 166.66 | 191.61 |
| 2000 | 29.79 | 92.48 | 104.77 |
| 2030 | 27.84 | 80.28 | 87.30 |
| 2100 | 25.43 | 47.47 | 52.54 |
| 2130 | 25.42 | 35.86 | 39.86 |
| 2200 | 25.42 | 33.94 | 37.83 |
| 2230 | 23.72 | 32.85 | 36.35 |
| 2300 | 12.82 | 32.12 | 35.61 |
| 2330 | 9.02 | 31.97 | 35.46 |
| 2400 | 9.02 | 10.06 | 10.06 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.80/MWh becomes 1.680p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of such revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6780 between 8.30am and 5.15pm Monday to Friday.

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مكذا من الاصل

# Mahindra Ford to build second car plant in India

By Shiraz Sidhva in New Delhi

Mahindra Ford India, the joint venture between Ford of the US and the Bombay-based Mahindra and Mahindra group, plans to build another car plant in India.

The new facility is to be sited in Maraimalai Nagar, near Madras. It will cost between Rs15bn and Rs20bn ($426m-$568m) and will be the second site for Ford's vehicle manufacture in India.

India's Foreign Investment Promotion Board recently cleared a proposal by the joint venture to invest $746m in the Indian car business.

The plant is scheduled to be in operation by the end of 1998. It will initially produce Ford's Fiesta model, and will have a capacity of 100,000 cars a year.

Mahindra Ford will launch the Ford Escort later this year. It will be produced at Mahindra's existing facility at Nashik in Maharashtra, using both local and imported components.

Mahindra and Mahindra is India's largest manufacturer of utility vehicles and tractors, with market shares of 57 per cent and 27 per cent respectively.

The group is among the top 10 industrial groups in the country, employing more than 17,000 in seven factories, and has one of the largest dealer networks in the country.

● Ford Credit International, a wholly-owned subsidiary of Ford Motor Credit Company, Mahindra and Mahindra, and Kotak Mahindra Finance, are setting up a joint venture.

The new venture, Ford Credit Kotak Mahindra, will exclusively finance purchases of Ford Mahindra vehicles in India.

Ford Credit will have a 55 per cent stake, Mahindra 10 per cent, and Kotak Mahindra Finance 35 per cent. All three partners will contribute to the company's Rs300m equity.

A separate joint venture, Kotak Mahindra Primus, will finance non-Ford passenger cars. Kotak Mahindra Finance will hold a majority stake of 60 per cent in that venture, with Ford Credit holding 40 per cent.

# CBoT plans Argentine venture

By Laurie Morse in Chicago

The Chicago Board of Trade has signed a letter of intent to develop a financial futures and options exchange in Argentina. The venture, which would be undertaken jointly with the Buenos Aires stock exchange and the Buenos Aires chamber of commerce, would be the Chicago futures market's first entry into Latin America.

The venture, which must still be approved by the CBoT's board of directors, puts the exchange in direct competition with its neighbour, the Chicago Mercantile Exchange, in the race to develop business in Latin America.

The CME this year will open an emerging markets division in Chicago, where it hopes to trade futures and options on Mexican, Brazilian and Argentine stock indices and currencies, as well as Brady bonds.

"There is no question both [exchanges] see a lot of opportunities in emerging markets," said Mr Fred Grede, CBoT's senior vice-president of operations and planning. "The CBoT's long-term strategy is to develop domestic markets in these countries, which will eventually bring new product opportunities to Chicago."

The CME is prevented from developing joint ventures or linkages with other exchanges under its Globex contract with Reuters, the information organisation, leaving it to focus on developing emerging markets products on its own trading floor.

The CBoT will provide consulting expertise to its Argentine partners in the first phase of the new venture, with potential linkages or an equity partnership possible later.

# Hortifrut seeks bigger bite of cherry

## Berry producer aims to improve its distribution, writes Imogen Mark

For Mr Victor Moller and his workforce at Hortifrut in Chile, the world's biggest fresh berry exporter in the off-season, getting the fruit from the bushes to the blender is a battle against time.

Raspberries, blackberries and blueberries make up the bulk of Hortifrut's sales. However, it also grows small amounts of red and blackcurrants, wild strawberries and cranberries.

Berries are the most difficult of all fresh fruit to harvest and market because they are so perishable. They also have to be picked by hand, which requires a skilled and dedicated workforce of up to 2,000 people a day, who must be prepared to pick for up to 200 consecotive days, abandoning their families or bringing them along to help pick.

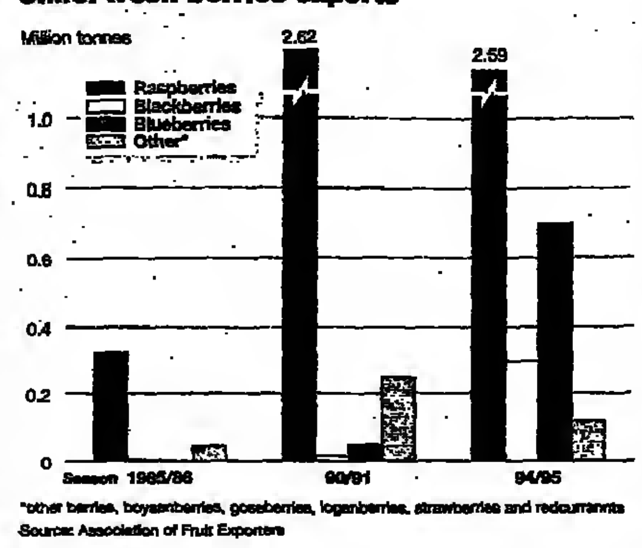
Hortifrut, like other big fruit traders, grows e substantial amount of its own fruit – about two-thirds of its current sales – and works closely with other growers for the rest. It has its own laboratory and a research department working on new varieties and growing and shipping techniques.

Chilean fruit farmers have an advantage over other off-season competitors, such as New Zealand and South Africa, in that they benefit from relatively low land and labour costs.

The country'a berry-growing regions stretch for 1,200km, from the central region around Santiago sonth to Puerto Moott. The range of temperatures and growing conditions and plantings of early and later-cropping varieties mean growers can supply fruit continuously from late November to April.

Once picked, the fruit has to be chilled immediately, and kept at 1°C or 2°C while it is trucked from the packing station to the airport. All fresh fruit is air-freighted, and its after-harvest life is less than one week.

**Chile: fresh berries exports**




*other berries, boysenberries, goseberries, loganberries, strawberries and redcurrants
Source: Association of Fruit Exporters

Getting 10,000 boxes a day from Santiago to a US airport is not that hard, Mr Moller says. But "no-one buys a truck load of berries. They buy maybe 60 or 70 boxes".

The tricky business is to sell and then deliver to hundreds of customers a day while the fruit is still in a good condition. Since berries are not a large-volume business, like grapes or bananas, there is no established distribntion network; Hortifrut has had in set up its own organisation in the US and Europe.

However, the attention needed for relatively small volumes of fruit is what keeps out the competition. Big traders such as del Monte, Dole or Chiquita have all tried and failed, Mr Moller says, because they cannot work efficiently at such small volumes.

Berries account for only 2 per cent of Chile's total fresh fruit exports, which reached 150m boxes and $1bn in sales last season. Hortifrut's sales were $27m last season and 1.6m boxes.

One of Hortifrut's first steps when it set up 15 years ago was to form a joint marketing venture with a US berry producer in California.

Today the aim is to create a closer relationship, both in the US and with a European grower/shipper, to work on all aspects of the business from research and development to marketing and distribution, including a common brand name.

Meanwhile, Hortifrut is setting up production outside Chile, in the highlands of Mexico and in Guatemala, to improve supplies to the US market.

The company shipped 60,000 boxes, mostly blackberries, last season and believes it can more than triple 1995-96 shipments. The idea is to be able to provide a steady supply to consumers throughout the off-season, and to avoid the current peaks and troughs.

Production from the central American region would provide fruit in October and November and in April, with Chile providing supplies from November through to April.

But, says Mr Moller, "you can't go into [the bush berry market] overnight and grow as fast as you like". Forming the workforce in the fields, in administration, sales and logistics, is not a question of mooey but of time, he adds. Hortifrut has financed most of its growth since its start-up out of cash flow.

The berry market has grown rapidly in the 15 years that Hortifrut has been in business. In the mid-1980s, Chile was exporting 400,000 boxes. By the beginning of the 1990s, it was well over 1m.

The demand is partly health-driven – raspberries, for example, are rich in an acid thought to be a cancer suppressant – while sales in Europe are partly regulation-driven: EU rules demand a higher proportion of real fruit in sauces and creams and yoghurts.

Like blueberries, cranberries are a new arrival in Chile, introduced only in the last 10 years, but they are relatively easy to propagate and grow, and are now going into full production, mainly for the US market. Two growers have taken the lead, and have already planted 600 hectares. It remains to be seen whether they have the necessary application to get the berries from the bushes to distant breakfast tables.

# Siam Pulp and Paper buys 30% of Indonesian venture

By William Barnes in Bangkok

Siam Pulp and Paper PCL, an arm of the big Thai conglomerate Siam Cement, has bought 30 per cent of a $1bn Indonesian pulp joint venture, its first overseas investment.

Thailand's biggest paper products company is seeking to diversify overseas and secure a pulp supply outside its depleted domestic base.

The Thai company will provide technical support and advice for its Indonesian partner PT Suryaraya Wahana, in building the pulp plant in East Kalimatan, which will be called PT Nityasa Prima.

Suryaraya Wahana, which will own 60 per cent of the venture, belongs to the PT Astra International Group; local investors will hold the remaining 10 per cent. The plant, which start producing in 1999, will have an initial capacity of 350,000 tonnes a year.

Mr Chumpol NaLamlieng, Siam Cement's president, said his group had to look overseas for pulp because Thailand's supply was limited by deforestation and government restrictions on tree farming.

"Indonesia has huge wood resources – bigger than the [Association of South East Asian Nations] region combined," Mr Chumpol said. "Clearly it is going to be cheaper to produce pulp in Indonesia for the foreseeable future."

Mr Francis Middlehurst, of Crosby Securities in Bangkok, said the group needed to cut costs because it had increased capacity at a time when import tariffs were reduced and a lot of cheap paper entered the country.

"It's been tough – they've been forced to export more because of the competition and they need to increase capacity to achieve economies of scale," Mr Middlehurst said.

Siam's Thai pulp plant has been operating at full capacity of 285,000 tonnes a year, with all output taken by its own subsidiaries.

The pulp, paper and packaging business accounted for $650m, or about 15 per cent. of the Siam Cement group's total sales in 1994.

# Rogers plans to list on NYSE

By Bernard Simon in Toronto

Canada's broadcasters and cable TV operators are set to gain a wider exposure to international capital markets in the wake of a proposed relaxation of foreign ownership rules.

Rogers Communications, the country's biggest cable operator, yesterday began what is expected to become a trend with an announcement that it plans to list its non-voting Class B shares on the New York Stock Exchange.

Rogers said it was keen to gain wider attention from analysts at US investment banks and institutional investors.

The federal government announced plans late last year to bring foreign ownership rules for the broadcast and cable TV industries into line with the telecommunications sector.

The maximum foreign investment in a holding company will be raised from 25 per cent to 33.3 per cent, with no restrictions on foreign holdings of non-voting shares. In addition, foreign investors will be allowed to own up to 20 per cent of an individual radio or television station.

Rogers' cellular phone subsidiary, Rogers Cantel, which is subject in the telecommunications rules, also plans a NYSE listing. Cantel is currently traded on the Nasdaq over-the-counter market.

Investors have until now placed lower values on Canadian cable TV companies than their US counterparts. Cable TV is a mature industry in Canada, with one of the highest levels of subscriber penetration in the world.

However, Mr John Henderson, analyst at ScotiaMcLeod in Toronto, said the cable operators' high-speed network could give them an edge over telephone companies in linking personal computers to the Internet. "They have the best network to compete," Mr Henderson said.

# France aims to strengthen COB

By David Buchan in Paris

The French government yesterday announced a plan to reinforce the authority of the Commission des Opèrations de Bourse to control Paris' financial markets, as part of draft legislation to introduce the European Union investment services directive to France.

Yesterday's cabinet meeting approved the draft bill, which after it has been approved by parliament will allow investment services companies based and regulated in other EU countries to operate freely in the Paris markets.

France is one of several EU members which have failed to meet the January 1 deadline for implementation of the legislation. Mr Jean Arthuis, the finance minister, took comfort from this, claiming that "our two principal competitors and partners, Germany and the UK, are not in a more favourable situation than our own".

Under the new plan, the COB will be composed of a college of nine members, on the model introduced two years ago for the Bank of France's monetary policy council. Members will be proposed by the National Assembly, the Senate and the Economic and Social Committee, and approved by France's president. The minntes of COB's deliberations will be made public.

Under the COB will be a new body, the Conseil des Marchès Financiers, the result of the merger of the Conseil des Bourses de Valeurs, which sets rules for the Paris equity market, and the Conseil des Marchés à Terme, which supervises the futures markets. The CMF will licence operators and set operating rules.



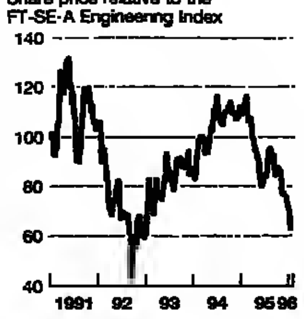


# Bridon cut by tough US competition

By Patrick Harverson

**Bridon**

Share price relative to the FT-SE-A Engineering Index




Source: FT Extel

Shares in Bridon fell 12 per cent yesterday after the wire and wire rope manufacturer announced that an unexpected recent downturn in its main markets would leave profits for 1995 short of the previous year's total.

In 1994 the Doncaster-based Bridon made £4.8m before exceptionals, and analysts estimated that the group would make like-for-like profits of between £4m to £4.5m ($7m) in 1995.

The shares closed down 14½p at 104½p.

Despite the profits warning, Bridon, which is in the final stages of a substantial restructuring programme, said it would stick to its pledge to raise the final dividend 10 per cent from 1994's payment of 2.75p.

The group blamed the downturn on various factors, but said the worst damage was inflicted by an outbreak of tough price competition in the US baler twine market. Bridon's US subsidiary was forced to match price cuts of 10 per cent by its main competitor, costing the unit a total of £1m.

Losses at Birkmyre, the group's non-core Australian textile business, also took their toll in the final quarter. Problems occurred there after the usual seasonal upturn in demand failed to materialise because of the poor state of the Australian economy.

Mr Ron Petersen, chief executive, said new management had been installed at the operation in an attempt to improve its performance, but the group remained committed to finding a buyer for Birkmyre once it had returned to profitability.

Delays in the completion of a large bridge contract in Norway, and deferral of deliveries of some crane rope and wire products from 1995 to 1996, were also cited as reasons for the slump in profits.

Additionally, Bridon said the benefits of its restructuring programme, which it had expected to enjoy in late 1995, would not now be evident until this year.

# No looking back following a shocking start

Powerscreen has a steady growth record although its method has raised questions. **Tim Burt reports**

The workforce at Powerscreen International can recall exactly the week that Mr Shay McKeown arrived at the Ulster company. Soon after he started going over the books, the Dungannon plant was firebombed by the IRA.

"It was a terrible shock, but we've never looked back," says the former accountant who, as chief executive, claims to have transformed the business into the most profitable manufacturer in Northern Ireland.

In the 16 years since the attack, buoyant overseas demand for its stone crushing and recycling equipment has underpinned steady growth at Powerscreen, which is this month starting work on a new factory at Kilbeggan in the Irish Republic.

The plant, Powerscreen's 18th, will be used to manufacture screening machines that sort and separate different grades of soil, sand and gravel from rubble and old landfill.

Despite the moribund state of the UK construction industry, sales of such equipment have risen sharply, helping Powerscreen's turnover to more than double in the past two years. Profits, meanwhile, have risen by roughly 20 per cent a year since 1987.

Mr McKeown predicts sales this year will exceed £250m ($385m), against £197m last time and £22m in 1986, when Powerscreen came to the market. Analysts, moreover, expect pre-tax profits to rise from £29.1m to about £37m.

That all looks rosy. But the method behind Powerscreen's growth has raised questions about the group's working capital requirements.

Sales in the first half of the current financial year reached £121.1m, a relatively modest improvement on the £112.7m reported in the second half of last year. That £8.4m increase appears to have been financed after a £17.1m investment in working capital.

Taken against first half operating profits of £17.3m, the working capital contributed to a negative net cash position of £7.53m at the end of September.

The size of Powerscreen's working capital requirements points to a wider malaise among similar engineering companies. They have been forced to meet rising demand by investing heavily in increased capacity and stocks.

Although stock days at Powerscreen have fallen from 109 to 94 in the past year, the cost of producing such stock remains high, especially for machines costing $140,000 (£91,000) each.

There seems to be no shortage of finished crushing and screening machines at Powerscreen's Dungannon headquarters. The yard is full of muscular looking shredders and hoppers, bearing names such as Chieftain and Powergrid.

Shay McKeown: claims large stocks are vital if Powerscreen is to meet peak demand

Mr McKeown, however, plays down working capital concerns. He claims large stocks are vital if Powerscreen is to meet peak demand in spring and autumn.

"You must have stock on the ground or you're going to lose sales. We would never dream of reducing inventories to clean up the balance sheet – it would be cutting our own throat."

With operating margins at 14.3 per cent, he says the group has room to cover stock demands and invest in new products.

It can also offset working capital demands by capping labour costs at its Northern Ireland plants. While pay rates in Ulster are generally lower than mainland Britain, Powerscreen has further limited its costs by setting up a sub-contract workforce.

Under the system, all but 53 of Powerscreen's 450 workers at Dungannon are employed not by the company but by shopfloor gaffers. In return for a fee, these foremen oversee production lines and employ the staff which man them.

"They make a profit according to how effectively they run their operations," says Mr McKeown. "And it frees up management time for selling and product development."

The company has also sought to reduce its dependence on the cash hungry crushing and screening activities by expanding its presence in materials handling. That division is dominated by Matbro, the manufacturer of telescopic lifting machinery acquired in 1991 for £3.4m.

Matbro should contribute more than £3.4m in profits this year and is expected to enjoy the first benefits of a new contract with John Deere, the US tractor manufacturer. That contract promises to generate more than £50m of extra business over the next three years.

"We are trying to ensure that we are not dependent on any one market or customer," says Mr McKeown. He claims that mission, coupled to selective bolt-on acquisitions and a growing presence in North America and east Asia, will drive Powerscreen forward.

While laudable, the pursuit of volumes and market share may not be enough to guarantee rising profits and earnings per share. That will require a more rigorous approach to working capital and overheads. Powerscreen's chief executive, however, refuses to be diverted.

"Our working capital represents what is necessary to run this business. Of course it's going to go up, but so will profits."

# Weinberg joint venture acquires Lifetime's UK side

By Alison Smith, Investment Correspondent

Life Assurance Holding Corporation, the joint venture between New York Life Worldwide and Sir Mark Weinberg, a leading figure in the UK life industry, is taking over the UK business of Lifetime Assurance, part of the Bank of Ireland.

LAHC was set up just over a year ago to acquire books of life policies and manage their existing funds more efficiently. Although Sir Mark resists the term, it is a version of what is known in the sector as a "vulture life" operation.

The Lifetime Assurance deal is the first to be initiated and carried through since the joint venture came into effect.

Negotiations for the company's last purchase, of Crown Financial Management last February, began before the link with Sir Mark was established.

The Lifetime book amounts to £70m ($108m) in funds from about 10,000 policyholders, mainly in Northern Ireland. At first LAHC is simply reinsuring the portfolio, but the administration will be transferred as soon as possible, probably later this year.

Mr John Wybrew, chief executive of LAHC, said that structuring the deal like this was the most effective way, given that the transaction was cross-border and that it was not the acquisition of an entire company but merely a branch of it.

He doubted that LAHC would have been interested in buying a company the size of Lifetime, but that this deal was "cleaner" than a full acquisition because LAHC was not having to take on offices or staff with the business.

# Thomas Locker accuses investor over Pentre bid

By Tim Burt

Thomas Locker, the engineer, yesterday accused its largest single shareholder of attempting to scupper the proposed £7.5m ($12m) takeover of Pentre, an industrial drums manufacturer.

The company said that Mr John Carr, a private investor who holds a 22.6 per cent stake, was wrong in claiming that the takeover overvalued Pentre and undervalued its own shares.

Mr David Barr, finance director, said the deal promised to increase the size of the business significantly, improve productivity and strengthen the board.

Mr Carr has urged shareholders to reject the acquisition and criticised a proposed 3-for-10 scrip issue of additional ordinaries, designed to compensate ordinary shareholders for the loss of voting rights.

He has also attacked a proposed boardroom change, in which Mr Philip Gartside and Mr Michael Seymour, chief executive and managing director respectively of Pentre, would assume the same roles at an enlarged Thomas Locker.

However, the company said Mr Carr wanted to install himself as deputy chairman and was trying to promote his own self interests by seeking an enhanced scrip issue. Barr.

The acquisition will be put to shareholders on January 10.

# Dart Line takes over Vlissingen freight route

Jacobs Holdings' shipping subsidiary, Dart Line, has taken over operation of of the Dartford to Vlissingen freight ferry route from Sally Line.

Jacobs has recruited Mr Simon Taylor, former managing director of Sally Line, to become managing director of Dart Line and of Thames Europort, which runs the company's port facility at Dartford.

Mr Michael Kingshott, the founder of Sally Line, was appointed chief executive of Jacobs in May 1994.

# Hultman options reap £1.2m

Mr Claes Hultman, chief executive of Eurotherm, yesterday made a paper profit of £1.18m ($1.8m) by exercising share options in the industrial controls manufacturer.

Mr Hultman, who recently announced a 31 per cent rise in annual profits, exercised 304,090 shares worth £1.67m at the 550p closing price.

The Swedish businessman exercised 279,588 shares at 160.95p and 24,502 at 163.25p, giving rise to a notional gain of more than £1m. It also emerged that he has given his wife, Mrs Margot Hultman, a further 186,000 shares.

Mr Robert Biddle, finance director, said: "This is a good example of share options working as a reward for a top director." Under Mr Hultman Eurotherm's capitalisation had grown from £120m to more than £500m.

# GA starts management reshuffle following purchase

By Ralph Atkins, Insurance Correspondent

General Accident, the composite insurer based in Perth, Scotland, has begun a revamp of its senior management by confirming Mr Bob Scott as chief executive succeeding Mr Nelson Robertson, who retired at the end of last year.

GA has yet to fill vacancies created by the death before Christmas of Mr Barrie Holder, however, a deputy chief executive. Announcements are not expected until the end of the month.

Mr Holder had responsibility for life operations, finance, investments and GA's estate agencies. Mr Holder, Mr Robertson and Mr Scott, previously deputy chief executive, formed a management triumvirate out of which only Mr Scott remains.

There had been speculation Mr Robertson might postpone his retirement pending the appointment of a new deputy chief executive or a reshuffle.

The shake-up follows GA's £170m ($262m) acquisition late last year of Provident Mutual, the mutual life insurer. With that deal expected to foreshadow further consolidation in the insurance sector, the allocation of senior management responsibilities is regarded as an opportunity for Mr Scott to set his stamp on GA's future strategy. Within GA, Mr Scott has been nicknamed "Hurricane Bob" because of his energetic management style.

GA pointed out that general managers had been promoted to head UK commercial and personal insurance operations, following Mr Scott's appointment as chief executive.

# Ransomes chief receives more

Mr Peter Wilson, chief executive of Ransomes, the grass-cutting equipment manufacturer, was paid £302,000 ($465,000) in 1995, against £140,000 in the nine months to September 30 1994. Total directors' remuneration rose from £284,000 to £613,000. In the same period, pre-tax profits were £9.22m (£6.11m).Last month the group announced a £37.3m rights issue to repay debt.

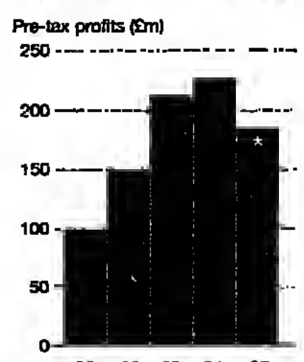
# Wanted: new management team

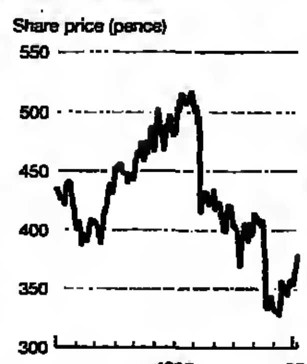
Rexam may attract unwelcome suitors, says **Patrick Harverson**

It should not be hard to guess the new year's resolution of management at the Knightsbridge headquarters of Rexam this week: find a new chairman and chief executive, and quickly.

First, however, management at the printing and packaging group will be celebrating that a truly miserable 1995 is over. Following a bright start, the second half turned disastrous in the space of a few months, as Rexam's shares lost almost 40 per cent of their value after the group issued two profits warnings in quick succession.

**New resolutions needed**




Source: Company & FT Extel

David Lyon, chief executive

*estimate

Reporting that conditions in its main markets had deteriorated unexpectedly rapidly, the group warned that 1995 profits would be about 20 per cent below 1994's total of £226m, ($348m) ending three years' of impressive profits growth.

The steep decline in its share price nearly cost Rexam – which last year changed its name from Bowater – its place in the FT-SE 100 index, and also left management and shareholders rattled.

Against this bleak background, finding a new management team to replace Mr Michael Woodhouse as chairman and Mr David Lyon as chief executive – both step down in June – has become an ever more urgent priority. Yet the search for their successors, which has already taken up more than a year of the group's time, is dragging on too long for some critics.

"I'm staggered that they haven't resolved the management issue yet," says a former senior executive, who believes the failure to fill the top two posts is hampering Rexam's ability to steer a safe course out of its current difficulties.

Mr Tony Willis, analyst at BZW, agrees. "It would be very disappointing and surprising if they didn't appoint a new chief executive and chairman in the next six weeks or so," he says.

The current chairman, however, insists the wait will soon be over. "We're approaching the moment when it's time to make an announcement," said Mr Woodhouse this week.

Yet analysts warn that if Rexam does not make its decision soon, the group could become vulnerable to a hostile bid - takeover speculation yesterday lifted the shares 19p to 379p. Last month, after the shares had fallen from a summer high of 520p to 338p, analysts reported that rivals in the industry had begun to display an interest in Rexam, attracted by the possibility of buying it on the cheap. Although one of the possible rumoured bidders – Alusuisse, the Swiss metals and packaging group – denied any interest in the UK company, the City still sees Rexam as an attractive target.

As one analyst explained: "They are particularly vulnerable. You have a company which was a stock market darling but which has announced two profits warnings in quick succession. It has a management in hiatus, and shareholders who are getting fed-up. If anyone was ever going to go for it, it would be now. It would be very hard for Rexam to put up a good defence."

Yet, as the critics admit, the blame for some of the problems at Rexam cannot be laid at the management's door. In the past six months, severe destocking by customers – reacting to an apparent peaking in commodity prices and slowing demand from consumers – has hurt packaging companies worldwide.

Yet the timing of the destocking-led fall in demand seemed to hit Rexam particularly hard because it affected areas – notably coated products – which had only recently been expanded. The result was that expensive purchases in North America acquired to improve the group's long-term growth prospects were suddenly performing poorly.

Moreover, critics used the destocking issue to attack the group for failing to realise earlier that customers would start to run down stocks once prices had peaked. They said it was an example of how a Rexam management strong on long-term corporate vision had lost touch with the market and its customers. As one rival executive in the industry noted: "In times of high volatility [in prices], unless you are absolutely on the ball you can come unstuck. And to be on the ball means having deep knowledge of what your customers and suppliers are doing, knowledge right at the very top of the company."

Rexam defends itself stoutly on this issue. After the most recent profits warning in November, Mr Lyon said: "I reject any suggestion that the directors are half asleep on the ninth floor of Bowater House watching the ducks and geese in Hyde Park."

The current management may be more vulnerable to questions about strategy, and in particular whether it has allowed the structure of the group, with its diverse interests in engineering, windows and other building materials, to become unwieldy.

For while Mr Lyon has been applauded for expanding into higher margin businesses such as coated products and value-added packaging and printing sectors (such as food and drink, cosmetics and toiletries, and healthcare and pharmaceuticals), doubts have been raised over whether Rexam should still be operating in unrelated areas – notably in the German windows and Australian engineering businesses.

The latter operation is already up for sale, and it is increasingly likely that other extraneous parts of the business may also go. Although Rexam will not be drawn on the subject of disposals, Mr Woodhouse hints that non-core businesses may eventually be sold. He says: "The issue is whether, in order to expand our major businesses, we need to raise money by selling those [operations] that are not near to our main business."

These are questions which will have to be tackled by the new management team, says Ms Sonia Falaschi, analyst at UBS. "The most important issue is the appointment of the chief executive and chairman. The rest of it, through proper management, will eventually sort itself out," she believes.

However, Rexam could be overtaken by events if it does not make a move soon, warns Mr Willis of BZW. Referring to the recent takeover speculation, he says: "If they can't find a new management, maybe someone will find the new management for them."

# COMMODITIES AND AGRICULTURE

MARKET REPORT

## London gold price jumps to highest for 8½ months

The precious metals markets continued their climb out of the year-end trough yesterday when the GOLD price was fixed at an 8½-month high.

Further buying by the US-based funds that had abandoned base metals over the previous 24 hours to pick up lower-priced US equities and precious metals was an important factor, dealers said.

Gold was fixed at $393.40 a troy ounce in the afternoon, its highest fixing since April 19, 1995, when it was at $396.95. By the close it had gained another 35 cents.

"It found resistance at $394.50 but it looks realistic around this level," one dealer said. The market had encountered only scattered selling from producers at the higher levels, others noted. Now stop-loss buying orders were looming not far above the market, they added. These could come into play if prices moved closer to over-the-counter (OTC) call options at $395 and $400.

The SILVER market was also strong, the cash price touching $5.45 an ounce before closing at $5.39½, adding 14 cents to Tuesday's 11.5-cent advance. The $5.35-cent morning fixing was the highest since November 21.

Base metals clawed back some lost ground in after hours "kerb" trading on the London Metal Exchange. But traders said the rallies were unconvincing and prices look set for further punishment.

COPPER led the way lower, the three months delivery plummeting to a fresh 14-month low of $2,565 at one stage. Traders said copper suffered from investment fund sales, as speculative money switched into booming precious metals and equities.

January traded option declarations at late morning passed quietly, with more $3,750 puts than calls exercised, which was indicative of negative sentiment.

Last business on the kerb was at $2,575 a tonne, down $54 from Tuesday's kerb close. However, the cash/three-months premium, or "backwardation", was $180/190 at the close and traders there was likely to be a reluctance to sell the market short while nearby backwardations persisted.

ALUMINIUM's relative resilience was undermined from midsession onwards when trade interest around the $1,690-1,695-a-tonne level was unable to offset speculative selling.

Despite some late buying on the kerb, the three months price still finished under pressure at $1,672, the day's low and $26 down from Tuesday. Traders thought the market was more likely to test the $1,650 end of a $70 trading range.

NICKEL prices managed to stage a rally from the low of $7,460 a tonne for three months delivery, but business was erratic and the market was unable to sustain levels around $7,600. The last trade was at $7,570, down $10 on the day.

Traders said a recovery of some $100 in nickel was only to be expected, given declines of some $500 in little more than a day. Overall bearish market sentiment suggested the rally would soon encounter selling.

Three months LEAD rallied from a low of $680 tonne, with late kerb buying ensuring that the market concluded the session in the plus column.

Compiled from Reuters.

## Indian aluminium group sees bright future

**Kunal Bose reports on expansion and modernisation plans at Hindalco Industries**

Hindalco Industries, India's second biggest aluminium group, is to explore the possibility of building a new aluminium complex. The infrastructure at Renukoot in Uttar Pradesh where its present 170,000 tonne smelter is located will now allow expansion of capacity beyond 242,000 tonnes, according to Mr AK Agarwala, the group's president.

"The first thing that we will have to do is to identify a bauxite [aluminium ore] reserve of 250m to 300m tonnes," he says. "We shall be looking at deposits in Orissa, Madhya Pradesh and Bihar. For the new complex, we want to have a 1m-tonne capacity alumina [aluminium oxide] refinery, so that there is a surplus for export after feeding a 225,000- to 250,000-tonne smelter. If we are to make a success of the venture, then we must have a captive power generation capacity of about 800MW. We will have to find a good coal linkage for the power plant." The proposed complex will need an investment of over US$1.7bn.

According to industry officials, the Hindalco investment plan is justified as Indian demand for aluminium is expected to grow at an annual rate of 10 to 12 per cent in the next five years to reach about 1m tonnes by 2001 and existing smelting capacity is only about 550,000 tonnes. National Aluminium, the country's biggest aluminium group, has proposed the expansion of its smelting capacity to 345,000 tonnes from 230,000 tonnes; but the federal government, which owns it, has not yet cleared the proposal.

With the government tightly controlling the industry until a few years ago, aluminium companies could not take advantage of the country's huge bauxite reserve of 2.65bn tonnes – the fourth largest in the world – to build a large smelting capacity. It took Hindalco, part of the Aditya Birla group more than 30 years to raise the capacity of its smelter at Renukoot to 170,000 tonnes from 20,000 tonnes. Hindalco was promoted as a joint venture with Kaiser Aluminium of the US, but Kaiser sold its stake in 1986 as part of its global divestment strategy. Hindalco continues to employ Kaiser smelting technology with improvements brought about by in-house research and development.

Hindalco has undertaken a capital expenditure programme of Rs12.50bn ($356m) for capacity expansion as well as comprehensive modernisation of the existing manufacturing units. "The basic thrust of the investment programme is to raise the smelting capacity by 40,000 tonnes to 210,000 tonnes. Since we want to have total control over the two major inputs needed for the production of aluminium, we are expanding the alumina refinery capacity by 100,000 tonnes to 450,000 tonnes and building two new coal-fired power units to step up the power generation capacity to 500MW," says Mr Agarwala.

Following the lowering of the import duty on aluminium to 10 per cent, Indian manufacturers are under increased pressure to produce metal and rolled products of consistently high quality at the lowest possible cost. The globalisation of India's aluminium business, brought about by metal import at low customs duty, has been the most important incentive for Hindalco to undertake a thorough modernisation of its hot and cold rolling mills and the extrusion unit.

An important objective of the investment is to enlarge the company's product mix in response to the changing requirements of consumers both at home and abroad. The modernisation will see Hindalco's production capacity of rolled items rise to 80,000 tonnes from 45,000. There will also be a greater degree of value addition in extruded products. "The greater emphasis on value added products does not mean that the Indian fabricators who depend on Hindalco for primary metal will suffer. We will continue to sell almost 50 per cent of our production in the form of primary metal," says Mr Agarwala. Hindalco has a 33 per cent share of the domestic aluminium market.

While the modernisation work has made considerable progress, the management is confident that the expansion of alumina refinery, power station and the smelter will be completed by the coming October. Mr Agarwala says the Renukoot smelter can be further expanded to 242,000 tonnes with the addition of another power unit of 75MW. Hindalco has decided to expand the smelter capacity to the optimum level at an investment of Rs5bn as soon as the present expansion and modernisation work is over.

Hindalco, India's most profitable aluminium company, is a cautious investor. It could have set up an aluminium foil plant a long time ago, but it waited to see strong demand growth for foil from the food processing and pharmaceutical industries before deciding to build a 5,000-tonnes-a-year plant at Silvassa in the Union Territory of Dadra and Nagar Haveli. "We are starting with a small capacity. We want to understand the business well before we expand capacity," says Mr Agarwala.

The next major innovation for Hindalco could be the production of cast aluminium wheels for cars, following decisions by General Motors, Peugeot, Mercedes Benz, Daewoo and Mitsubishi, among others, to produce cars in India.

Hindalco raised a total of $208m in two tranches by selling global depositary receipts to part-finance the modernisation and expansion programme. Funding of the second phase of expansion to 242,000 tonnes, according to Mr RK Kasliwal, joint president, will be done through "internal generation of resources and loans from financial institutions and banks". With a debt-to-equity ratio of 0.21:1, the company is well placed to borrow funds.

J.P. Morgan has described Hindalco as one of the "world's low cost producers" of aluminium. At 46.7 cents a pound Hindalco's production costs are well below the world average of 60.2 cents. High aluminium prices, nearly 95 per cent capacity utilisation of its power plants and the consumption of only 14,376 units of power per tonne of aluminium produced – is to be brought down by another 500 units by the modernisation – made it possible for Hindalco to earn a net profit of Rs2.92bn on a turnover of Rs9.56bn during the year ended March 31, 1995. And the company hopes to do even better in the current year.

## Dairy profits thrive on home cooking, says machinery maker

By Deborah Hargreaves

Dairy farmers can save money and increase their profits by feeding their cows home-grown foods rather than buying manufactured pellets, according to Keenan, a farm machinery maker.

The company says that trials of its machines, in which farmers mix their own rations for their herds using ingredients such as cereals, linseed, oilseed rape, molasses and fishmeal, have resulted in some farmers doubling their profitability.

Mixing their own feeds in this way means farmers can tailor rations to fit the herd and the type of milk required, such as lower fat or higher protein content.

Mr Greg Fletcher who farms 135 acres in Leicestershire says his profitability has improved by a third and feed costs have fallen by 20 per cent since using the new feeding system. "Milk production and protein levels are up, our cows look healthier and their fertility has improved," he says.

Cows feed on the mixture at all times during the day rather than just in the parlour at milking time, which improves their digestion, the company says, and leads to better quality milk production.

Mr Fletcher's herd of 95 cows produces an average yield of 7,800 litres of milk a year compared with 6,500 litres when they were eating pellets. The protein content of the milk has risen which means an extra L3p a litre to the milk price adding £9,100 a year to the farm's bottom line.

## Downbeat year forecast for commodity markets

By Deborah Hargreaves

*The world commodity markets'* bubble appears to have burst, with forecasters who had been trumpeting rising prices in previous years now taking a decidedly downbeat view of the outlook for 1996.

GNI, the London broker, picks oot grain prices as an exception in a year expected to be characterised by dull markets for most other commodities. The recent high prices in grains and oilseeds will not fall substantially until it becomes clear that farmers have been motivated to increase plantings to replenish world stocks, the broker says in its outlook report for the year.

Other soft commodities, such as sugar, have already shown how prodnction can be increased swiftly in response to higher prices. The sugar market moved into surplus last year, resulting in a drop in price from a peak of nearly 16 US cents a pound to less than 10 cents a pound towards the end of the year. GNI points to the possibility of a further *sharp price decline for sugar* this year.

Coffee stocks are exceptionally low in consuming countries and that could lead to tightness in the market in coming months. Prices have been depressed, however, by the expectatinn of a large harvest this year, with the highly remunerative prices of 1993-1994 leading to a surge in output and a possible glut next year.

GNI says that cocoa, which looked to be heading for a bull market three years ago, is now coming under pressure from large supplies from the Ivory Coast. But it points to enough uncertainties in the market to make it a potentially strong performer in the middle of the year.

Industrial commodities, energy and most of the base metals are expected to come under pressure from increasing supplies, GNI says. Demand will provide the key to how mnch prices rise because stocks are tight, but the broker *expects demand* to be stagnant or weak, leading to falling prices.

GNI doubts that there will be a repeat of the bullish euphoria seen in 1994 and in some areas last year. Much will depend on global economic growth, the company says, but it does not expect commodity price inflation to make an impact nn the world economic environment until 1998 and possibly the end of the decade.

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1653.5-55.5 | 1676-78 |
| Previous | 1675-76 | 1697-98 |
| High/low | 1670/1650 | 1694/1672 |
| AM Official | 1669.5-70.0 | 1691-91.5 |
| Kerb close | | 1673-4 |
| Open int. | 224,863 | |
| Total daily turnover | 64,406 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1450-55 | 1488-90 |
| Previous | 1455-65 | 1495-96 |
| High/low | 1461/1454 | 1495/1490 |
| AM Official | 1455-57 | 1492-95 |
| Kerb close | | 1485-95 |
| Open int. | 5,090 | |
| Total daily turnover | 1,797 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 680-81 | 683-84 |
| Previous | 696-97 | 698-99 |
| High/low | 682 | 687/680 |
| AM Official | 682-82.5 | 683.5-84.0 |
| Kerb close | | 685-7 |
| Open int. | 32,386 | |
| Total daily turnover | 12,422 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 7450-60 | 7565-75 |
| Previous | 7525-35 | 7650-55 |
| High/low | | 7600/7455 |
| AM Official | 7360-70 | 7490-500 |
| Kerb close | | 7565-70 |
| Open int. | 38,609 | |
| Total daily turnover | 18,408 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 6240-50 | 6290-95 |
| Previous | 6285-95 | 6295-300 |
| High/low | | 6280/6245 |
| AM Official | 6265-70 | 6270-75 |
| Kerb close | | 6270-80 |
| Open int. | 13,496 | |
| Total daily turnover | 4,499 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 993.5-91.5 | 1013-15 |
| Previous | 997.5-8.5 | 1019-20 |
| High/low | 998 | 1019/1013 |
| AM Official | 997.5-98.0 | 1018-19.5 |
| Kerb close | | 1018-19 |
| Open int. | 78,400 | |
| Total daily turnover | 17,757 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 2739-40 | 2572-73 |
| Previous | 2805-10 | 2628-30 |
| High/low | 2780/2750 | 2610/2565 |
| AM Official | 2749-50 | 2590-91 |
| Kerb close | | 2573-4 |
| Open int. | 164,398 | |
| Total daily turnover | 102,210 | |

■ LME AM Official £/$ rate: 1.5525

LME Closing £/$ rate: 1.5518

Spot: 1.5529 3 mths: 1.5488 6 mths: 1.5446 9 mths: 1.5410

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 122.30 | -1.10 | 123.40 | 122.00 | 309 | 2,764 |
| Feb | 120.00 | -1.10 | 121.25 | 119.50 | 57 | 1,157 |
| Mar | 118.90 | -1.20 | 118.55 | 115.80 | 12,216 | 22,406 |
| Apr | 115.70 | -1.20 | 110.10 | 115.00 | 21 | 635 |
| May | 114.55 | -1.25 | 115.30 | 113.20 | 1,026 | 3,634 |
| Jun | 113.80 | -1.20 | 114.50 | 114.00 | 9 | 515 |
| Total | | | | | 5,296 | 35,393 |

### PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 393.50-394.00 | | |
| Opening | 393.30-393.80 | | |
| Morning fix | 393.50 | 251.676 | 451.730 |
| Afternoon fix | 393.40 | 253.626 | 457.052 |
| Day's High | 394.75-395.25 | | |
| Day's Low | 393.30-393.80 | | |
| Previous close | 389.00-389.40 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 3.03 | 6 months | 3.02 |
| 2 months | 3.02 | 12 months | 2.92 |
| 3 months | 3.01 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 344.25 | 535.00 |
| 3 months | 349.20 | 541.50 |
| 6 months | 353.75 | 547.30 |
| 1 year | 363.85 | 559.25 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 390-391 | 251-252 |
| Maple Leaf | 404.90-407.40 | |
| New Sovereign | 90-92 | 58-59 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 396.2 | +4.3 | 396.3 | 391.8 | 41,453 | 57,500 |
| Apr | 398.2 | +4.3 | 398.5 | 394.2 | 590 | 15,916 |
| Jun | 400.2 | +4.3 | 400.8 | 395.7 | 721 | 23,736 |
| Aug | 402.2 | +4.3 | - | 394.5 | 26 | 4,519 |
| Oct | 404.2 | +4.2 | - | - | 5 | 3,257 |
| Dec | 406.2 | +4.2 | 406.0 | 404.0 | 273 | 10,611 |
| Total | | | | | 43,093 | 146,966 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 409.6 | +4.8 | 411.0 | 405.0 | 391 | 640 |
| Apr | 413.4 | +5.1 | 415.4 | 408.0 | 4,064 | 15,397 |
| Jul | 415.1 | +5.1 | 416.5 | 412.5 | 26 | 2,385 |
| Oct | 416.8 | +5.1 | 418.0 | 418.0 | 171 | 1,370 |
| Jan | 418.4 | +5.1 | - | 408.0 | 5 | 54 |
| Total | | | | | 4,486 | 23,826 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 134.00 | +0.75 | 137.00 | 133.50 | 484 | 5,582 |
| Jun | 135.50 | +0.75 | 139.00 | 135.75 | 12 | 634 |
| Sep | 136.00 | +0.75 | - | - | - | 3 |
| Total | | | | | 494 | 6,219 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 533.6 | +0.5 | 536.0 | 536.0 | 84 | 84 |
| Feb | 538.7 | +0.3 | 540.0 | 536.0 | 31,020 | 61,863 |
| May | 543.3 | +0.2 | 553.0 | 542.0 | 270 | 10,090 |
| Jul | 547.9 | +0.1 | 556.0 | 546.0 | 1,140 | 7,455 |
| Sep | 552.3 | - | 556.0 | 553.0 | 10 | 8,891 |
| Dec | 558.7 | +0.1 | 568.0 | 560.0 | 175 | 5,345 |
| Total | | | | | 32,721 | 98,849 |

### ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 19.86 | +0.05 | 19.95 | 19.76 | 28,028 | 86,708 |
| Mar | 19.51 | +0.07 | 19.58 | 19.21 | 14,229 | 48,059 |
| Apr | 18.87 | +0.03 | 18.91 | 18.79 | 7,735 | 28,013 |
| May | 18.50 | -0.04 | 18.58 | 18.45 | 5,751 | 18,429 |
| Jun | 18.29 | -0.02 | 18.33 | 18.20 | 5,622 | 35,354 |
| Jul | 18.11 | -0.01 | 18.17 | 18.07 | 3,864 | 18,302 |
| Total | | | | | 75,097 | 358,747 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 18.59 | -0.03 | 18.68 | 18.57 | 15,636 | 67,894 |
| Mar | 18.03 | -0.02 | 18.11 | 18.02 | 8,846 | 31,424 |
| Apr | 17.81 | -0.02 | 17.87 | 17.79 | 2,362 | 12,174 |
| May | 17.26 | -0.01 | 17.33 | 17.25 | 1,637 | 8,628 |
| Jun | 17.03 | +0.03 | 17.09 | 17.03 | 1,349 | 10,515 |
| Jul | 16.87 | +0.03 | 16.94 | 16.84 | 368 | 4,972 |
| Total | | | | | 31,836 | 40,904 |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 58.90 | -0.03 | 60.55 | 58.50 | 23,056 | 39,037 |
| Mar | 56.85 | -0.09 | 57.45 | 56.70 | 8,493 | 24,022 |
| Apr | 53.00 | -0.19 | 53.50 | 52.95 | 977 | 5,877 |
| May | 50.60 | -0.14 | 51.10 | 50.70 | 327 | 4,401 |
| Jun | 49.50 | -0.29 | 49.80 | 49.50 | 309 | 8,166 |
| Jul | 49.25 | -0.34 | 49.35 | 49.25 | 498 | 4,835 |
| Total | | | | | 34,073 | 128,482 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 176.00 | +2.75 | 179.25 | 177.25 | 5,654 | 32,773 |
| Feb | 174.00 | +2.00 | 174.50 | 173.00 | 7,607 | 27,874 |
| Mar | 166.25 | +2.25 | 168.75 | 167.00 | 1,466 | 8,682 |
| Apr | 162.50 | +2.50 | 163.00 | 162.00 | 1,012 | 4,668 |
| May | 159.75 | +2.50 | 160.00 | 160.00 | 61 | 1,522 |
| Jun | 157.00 | +1.50 | 157.25 | 156.00 | 358 | 5,773 |
| Total | | | | | 17,769 | 87,880 |

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 2.940 | -0.081 | 3.100 | 2.880 | 13,970 | 37,090 |
| Mar | 2.380 | +0.055 | 2.400 | 2.280 | 2,540 | 23,282 |
| Apr | 2.090 | +0.019 | 2.040 | 1.980 | 1,276 | 16,292 |
| May | 1.975 | +0.014 | 1.930 | 1.890 | 603 | 13,206 |
| Jun | 1.815 | +0.004 | 1.835 | 1.810 | 859 | 10,764 |
| Jul | 1.785 | +0.009 | 1.800 | 1.772 | 615 | 8,059 |
| Total | | | | | 21,177 | 162,289 |

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 58.85 | -0.24 | 59.50 | 58.75 | 9,635 | 30,089 |
| Mar | 57.15 | +0.04 | 57.55 | 56.95 | 2,304 | 12,253 |
| Apr | 58.60 | +0.15 | 59.00 | 58.25 | 829 | 6,815 |
| May | 58.60 | +0.20 | 59.00 | 58.60 | 96 | 4,446 |
| Jun | 56.90 | - | 57.25 | 57.25 | 81 | 2,911 |
| Jul | 56.30 | +0.20 | 56.30 | 56.25 | 52 | 3,021 |
| Total | | | | | 12,978 | 62,526 |

### GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 124.20 | -0.40 | 124.45 | 124.45 | 26 | 433 |
| Mar | 126.30 | -0.20 | 126.35 | 126.00 | 87 | 2,573 |
| May | 128.40 | -0.20 | 128.40 | 128.10 | 76 | 3,361 |
| Jul | 130.35 | -0.30 | 130.40 | 130.40 | 5 | 414 |
| Sep | 114.90 | -0.05 | 114.75 | 114.75 | 25 | 78 |
| Nov | 116.50 | -0.20 | 116.50 | 116.50 | 52 | 947 |
| Total | | | | | 224 | 7,868 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 508.25 | -6.25 | 509.50 | 501.50 | 17,603 | 55,160 |
| May | 479.50 | -9.50 | 485.50 | 474.00 | 3,093 | 9,792 |
| Jul | 448.50 | -2.50 | 449.50 | 442.00 | 4,961 | 30,120 |
| Sep | 449.00 | -2.50 | 450.00 | 443.00 | 280 | 3,472 |
| Dec | 455.00 | -2.25 | 456.00 | 449.00 | 372 | 2,756 |
| Mar | 398.50 | -3.50 | 398.50 | 395.00 | 3 | 79 |
| Total | | | | | 26,241 | 102,470 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 374.00 | +0.75 | 374.50 | 370.25 | 51,699 | 233,371 |
| May | 377.50 | +1.50 | 328.00 | 370.50 | 12,152 | 81,510 |
| Jul | 374.75 | +2.00 | 375.00 | 370.50 | 12,095 | 76,377 |
| Sep | 316.25 | +1.00 | 316.75 | 314.75 | 2,894 | 17,373 |
| Dec | 297.75 | +0.50 | 298.75 | 295.75 | 7,384 | 41,002 |
| Mar | 304.00 | +1.00 | 304.00 | 302.25 | 134 | 2,291 |
| Total | | | | | 86,563 | 512,997 |

■ BARLEY LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 115.50 | - | - | - | 39 | 244 |
| Mar | 117.50 | - | 117.50 | 117.50 | 5 | 849 |
| May | 119.00 | +0.50 | - | - | - | 410 |
| Sep | 109.25 | - | - | - | - | 29 |
| Nov | 111.00 | - | - | - | - | 56 |
| Total | | | | | 36 | 1,589 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 756.00 | +7.50 | 757.00 | 743.00 | 12,446 | 13,141 |
| Mar | 768.00 | +7.75 | 767.00 | 753.00 | 40,495 | 106,610 |
| May | 771.50 | +8.25 | 772.00 | 757.50 | 3,468 | 23,249 |
| Jul | 771.75 | +8.50 | 772.50 | 757.50 | 4,535 | 27,757 |
| Aug | 764.00 | +7.00 | 762.50 | 752.50 | 115 | 2,624 |
| Sep | 735.00 | +7.00 | 733.00 | 727.00 | 118 | 2,133 |
| Total | | | | | 66,798 | 232,278 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 25.18 | +0.12 | 25.28 | 24.98 | 3,637 | 4,853 |
| Mar | 25.57 | +0.13 | 25.65 | 25.35 | 8,933 | 41,474 |
| May | 25.92 | +0.10 | 25.97 | 25.72 | 1,701 | 13,841 |
| Jul | 26.20 | +0.11 | 26.23 | 26.08 | 1,518 | 10,599 |
| Aug | 26.32 | +0.10 | 26.42 | 26.25 | 264 | 2,310 |
| Sep | 26.40 | +0.10 | 26.45 | 26.45 | 140 | 949 |
| Total | | | | | 13,867 | 80,458 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 238.4 | +2.1 | 238.2 | 235.4 | 2,821 | 9,000 |
| Mar | 242.2 | +1.2 | 243.4 | 239.2 | 11,684 | 53,894 |
| May | 243.5 | +2.3 | 243.5 | 239.5 | 2,578 | 13,305 |
| Jul | 242.8 | +2.6 | 243.6 | 239.7 | 1,340 | 12,310 |
| Aug | 239.0 | +2.3 | 238.8 | 235.0 | 61 | 1,889 |
| Sep | 231.5 | +2.5 | 231.6 | 229.0 | 32 | 1,480 |
| Total | | | | | 18,541 | 103,122 |

■ POTATOES LCE (£/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 210.0 | - | - | - | - | - |
| Apr | 233.0 | +4.5 | 235.0 | 230.0 | 146 | 1,077 |
| May | 239.0 | - | - | - | - | 8 |
| Jun | 259.0 | - | - | - | - | - |
| Total | | | | | 146 | 1,166 |

■ FREIGHT (BIFFEX) LCE ($10/index point)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 1605 | +20 | 1605 | 1585 | 25 | 1,074 |
| Feb | 1570 | +12 | 1566 | 1565 | 15 | 310 |
| Mar | 1532 | +22 | 1535 | 1526 | 14 | 1,382 |
| Apr | 1548 | +23 | 1350 | 1340 | 2 | 692 |
| Jul | 1435 | +17 | - | - | - | 210 |
| Oct | 1463 | +13 | - | - | - | 62 |
| Total | | | | | 62 | 3,690 |

| | Close | Prev |
|---|---|---|
| BFI | 1599 | 1582 |

FUTURES DATA

All futures data supplied by CMS.

**Nuts and Seeds**

Prices from Kenkko Group: US$ a tonne. Iranian pistachios 25/30 raw in shell naturally opened (round): new crop, $4,550 CFR/FOT MEP. 28/28 3,550 CFR/FOT MEP. US almonds (shelled) 23/25 NPSSR 1995 crop at 6,300 FAS, firming – buyers showing more interest, but large supplies left over after Christmas. Sellers waiting to see real demand. Rising slowly. US walnuts (shelled) light halves and pieces, 1995 crop at 6,285 FOB, very firm. Indian cashews: 1995 crop, new W-320, 2.67 a pound, spot FOT Rotterdam; W-240, 2.68 a pound, FOB India – both for shipment this month. Turkish hazelnut kernels, 13/15 standard 1s, 1995 crop at 2,725 CFR MEP: quiet. Russian snow white pumpkin seeds: 1995 crop, long, grade A, at 2,250 FCA MEP, round, 2,350 FOB MEP. Desiccated coconut 58 cents a pound, up because of shortage.

### SOFTS

■ COCOA LCE (£/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 896 | -4 | 906 | 888 | 2,852 | 35,509 |
| May | 917 | -3 | 926 | 816 | 790 | 14,871 |
| Jul | 936 | -3 | 944 | 936 | 132 | 7,570 |
| Sep | 954 | -4 | 964 | 954 | 152 | 26,672 |
| Dec | 973 | -4 | 980 | 972 | 180 | 7,380 |
| Mar | 989 | -4 | 1000 | 990 | 177 | 20,355 |
| Total | | | | | 4,111 | 118,657 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 1246 | -23 | 1277 | 1246 | 4,386 | 37,365 |
| May | 1273 | -21 | 1302 | 1271 | 1,073 | 17,156 |
| Jul | 1297 | -21 | 1325 | 1295 | 339 | 6,145 |
| Sep | 1330 | -22 | 1344 | 1318 | 18 | 3,536 |
| Dec | 1351 | -20 | 1373 | 1350 | 1 | 8,101 |
| Mar | 1379 | -20 | 1405 | 1380 | 247 | 5,512 |
| Total | | | | | 6,368 | 84,984 |

■ COCOA (ICCO) (SDR's/tonne)

| Jan 2 | Price | Prev. day |
|---|---|---|
| Daily | 914.52 | 908.57 |

■ COFFEE LCE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 1803 | -107 | 1885 | 1784 | 629 | 2,876 |
| Mar | 1670 | -48 | 1705 | 1664 | 4,212 | 15,428 |
| May | 1582 | -31 | 1610 | 1575 | 600 | 7,446 |
| Jul | 1530 | -32 | 1555 | 1525 | 154 | 3,159 |
| Sep | 1515 | -36 | 1522 | 1512 | 33 | 1,417 |
| Nov | 1501 | -36 | 1512 | 1512 | 7 | 401 |
| Total | | | | | 5,865 | 30,737 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 93.75 | +2.50 | 94.40 | 89.40 | 5,719 | 18,717 |
| May | 92.95 | +2.40 | 93.25 | 89.10 | 685 | 5,109 |
| Jul | 93.00 | +2.10 | 93.50 | 89.50 | 143 | 1,954 |
| Sep | 93.39 | +2.20 | 92.80 | 91.00 | 134 | 1,269 |
| Dec | 93.00 | +2.20 | 93.70 | 89.50 | 35 | 772 |
| Mar | 93.00 | +2.35 | 91.50 | 91.50 | 8 | 218 |
| Total | | | | | 6,717 | 28,051 |

■ COFFEE (ICO) (US cents/pound)

| Jan 2 | Price | Prev. day |
|---|---|---|
| Comp. daily | 90.80 | 93.18 |
| 15 day average | 97.41 | 98.23 |

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 10.90 | - | - | - | - | - |
| May | 11.19 | - | - | - | - | - |
| Jul | 11.10 | - | - | - | - | - |
| Oct | 11.19 | - | - | - | - | - |
| Total | | | | | | |

■ WHITE SUGAR LCE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 354.9 | +2.3 | 355.5 | 352.0 | 1,736 | 15,028 |
| May | 348.7 | +0.7 | 351.0 | 348.0 | 730 | 7,327 |
| Aug | 335.1 | -0.7 | 339.5 | 337.0 | 277 | 3,592 |
| Oct | 311.8 | -1.7 | 314.4 | 313.0 | 83 | 3,720 |
| Dec | 304.8 | -3.2 | 308.9 | 308.9 | 57 | 1,822 |
| Mar | 302.8 | -3.1 | 307.8 | 304.8 | 11 | 390 |
| Total | | | | | 2,883 | 32,461 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 11.84 | +0.01 | 11.89 | 11.77 | 15,546 | 95,888 |
| May | 11.37 | -0.02 | 11.43 | 11.34 | 3,400 | 25,982 |
| Jul | 10.97 | - | 10.99 | 10.95 | 1,511 | 17,177 |
| Oct | 10.25 | - | 10.28 | 10.24 | 1,128 | 19,536 |
| Mar | 10.02 | - | 10.05 | 10.01 | 227 | 11,729 |
| May | 9.87 | - | 9.95 | 9.86 | 65 | 1,702 |
| Total | | | | | 22,468 | 163,782 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 82.15 | +1.45 | 82.50 | 80.30 | 2,405 | 25,521 |
| May | 81.60 | +1.25 | 82.00 | 79.87 | 570 | 10,881 |
| Jul | 80.85 | +1.25 | 81.30 | 79.20 | 436 | 7,570 |
| Oct | 78.70 | +0.80 | 79.00 | 78.20 | 24 | 1,828 |
| Dec | 76.80 | +0.80 | 77.00 | 76.40 | 249 | 9,961 |
| Mar | 77.93 | +0.28 | - | - | - | 550 |
| Total | | | | | 4,356 | 56,282 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Jan | 116.75 | -2.50 | 119.30 | 116.60 | 425 | 2,916 |
| Mar | 119.30 | -2.65 | 122.70 | 119.25 | 1,222 | 13,086 |
| May | 122.15 | -2.65 | 125.80 | 122.10 | 72 | 1,388 |
| Jul | 124.65 | -2.65 | 127.40 | 125.25 | 35 | 734 |
| Sep | 126.95 | -3.45 | - | - | 6 | 647 |
| Nov | 126.45 | -3.30 | - | - | 1 | 520 |
| Total | | | | | 1,864 | 21,276 |

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

### INDICES

■ REUTERS (Base: 18/9/31=100)

| Jan 3 | Jan 2 | month ago | year ago |
|---|---|---|---|
| 2081.4 | 2090.4 | 2155.8 | 2229.5 |

■ CRB Futures (Base: 1967=100)

| Jan 2 | Dec 29 | month ago | year ago |
|---|---|---|---|
| 244.45 | 243.16 | | |

■ GSCI Spot (Base: 1970=100)

| Jan 2 | Dec 29 | month ago | year ago |
|---|---|---|---|
| 207.42 | 203.50 | 191.21 | 180.76 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 66.850 | +0.650 | 66.725 | 66.100 | 7,375 | 31,275 |
| Apr | 66.475 | +0.500 | 66.800 | 66.150 | 3,193 | 17,471 |
| Jun | 62.450 | +0.425 | 62.525 | 62.050 | 1,499 | 10,111 |
| Aug | 61.225 | +0.350 | 61.300 | 60.900 | 817 | 4,264 |
| Oct | 62.825 | +0.175 | 63.000 | 62.675 | 722 | 3,888 |
| Dec | 63.450 | +0.150 | 63.500 | 63.325 | 406 | 2,038 |
| Total | | | | | 13,992 | 69,068 |

■ LIVE HOGS CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 46.575 | -1.500 | 45.800 | 45.575 | 748 | 15,020 |
| Apr | 45.300 | -1.150 | 45.800 | 44.975 | 1,115 | 7,017 |
| Jun | 51.050 | -0.800 | 51.500 | 50.775 | 676 | 5,936 |
| Jul | 50.875 | -0.300 | 51.300 | 50.550 | 1,601 | 2,737 |
| Aug | 50.100 | -0.300 | 50.550 | 49.725 | 838 | 2,478 |
| Oct | 48.100 | -0.075 | 48.500 | 48.000 | 122 | 1,007 |
| Total | | | | | 5,038 | 34,880 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 54.275 | -2.000 | 54.275 | 54.275 | 185 | 4,601 |
| Mar | 54.100 | -2.000 | 54.400 | 54.100 | 40 | 1,005 |
| May | 55.000 | -2.000 | 55.900 | 55.000 | 24 | 580 |
| Jul | 56.100 | -2.000 | 56.500 | 56.100 | 22 | 630 |
| Aug | 53.900 | -0.750 | 54.500 | 53.850 | 10 | 173 |
| Total | | | | | 281 | 6,989 |

### LONDON TRADED OPTIONS

| Strike price $ tonne | Calls Feb | Calls Mar | Calls Apr | Puts Feb | Puts Mar | Puts Apr |
|---|---|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | Feb | Mar | Apr | Feb | Mar | Apr |
| 1600 | 65 | 102 | 12 | 30 | | |
| 1700 | 14 | 49 | 61 | 75 | | |
| 1800 | 1 | 19 | 147 | 143 | | |
| ■ COPPER (Grade A) LME | Feb | Apr | Feb | Apr | | |
| 2600 | 91 | 68 | 57 | 117 | | |
| 2700 | 41 | 88 | - | - | | |
| 2800 | 15 | - | 150 | - | | |
| ■ COFFEE LCE | Mar | May | Mar | May | | |
| 1500 | 193 | 158 | - | 125 | | |
| 1550 | 158 | 131 | - | 156 | | |
| 1600 | 124 | 107 | - | 181 | | |
| ■ COCOA LCE | Mar | May | Mar | May | | |
| 850 | 54 | 79 | - | - | | |
| 875 | 36 | 61 | - | - | | |
| 900 | 23 | 48 | - | 1 | | |
| ■ BRENT CRUDE IPE | Feb | Mar | Feb | Mar | | |
| 1750 | - | 75 | 4 | 22 | | |
| 1800 | 61 | 48 | 8 | 40 | | |
| 1850 | 26 | 24 | 20 | 67 | | |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb) +or-

| | | |
|---|---|---|
| Dubai | $17.24-7.32w | +0.070 |
| Brent Blend (dated) | $19.09-9.11 | +0.050 |
| Brent Blend (Feb) | $18.57-8.59 | +0.130 |
| W.T.I. | $19.81-9.83w | +0.210 |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $175-177 | +4 |
| Gas Oil | $184-185 | -2 |
| Heavy Fuel Oil | $108-110 | +1 |
| Naphtha | $171-173 | +2 |
| Jet fuel | $209-210 | +2 |
| Diesel | $187-189 | +2 |

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

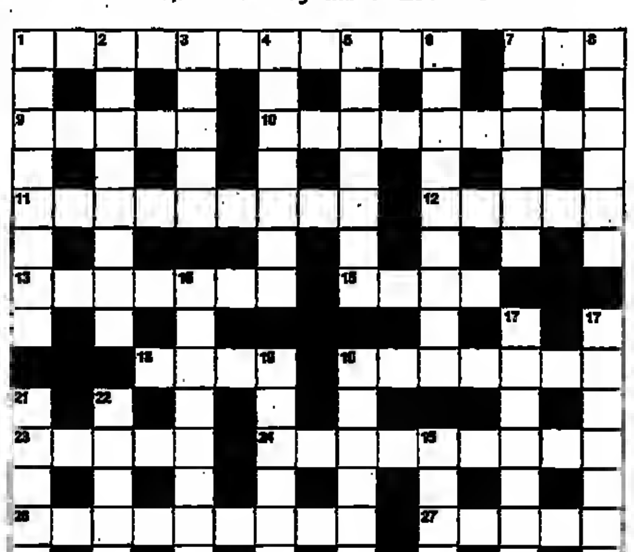
| | | |
|---|---|---|
| Gold (per troy oz)♣ | $393.75 | +4.55 |
| Silver (per troy oz)♣ | 538.50c | +14.00 |
| Platinum (per troy oz.) | $410.00 | +10.50 |
| Palladium (per troy oz.) | $133.00 | +4.50 |
| Copper | 125.0c | |
| Lead (US prod.) | 41.75c | |
| Tin (Kuala Lumpur) | 15.75m | -0.02 |
| Tin (New York) | 297.5c | -1.0 |
| Cattle (live weight)† | 140.70p | - |
| Sheep (live weight)†♣ | 122.00p | - |
| Pigs (live weight)† | 109.34p | - |
| Lon. day sugar (raw) | $319.6 | +7.2 |
| Lon. day sugar (wte) | $385.5 | +16.0 |
| Barley (Eng. feed) | £117.75 | |
| Maize (US No3 Yellow) | 151.0z | |
| Wheat (US Dark North) | Unq | |
| Rubber (Jan)♥ | 109.00p | +0.60 |
| Rubber (Feb)♥ | 108.00p | +0.50 |
| Rubber (KL RSS No1) | 404.50m | +6.00 |
| Coconut Oil (Phil)§ | $717.5y | -2.5 |
| Palm Oil (Malay.)§ | $582.5z | +2.5 |
| Copra (Phil)§ | 454.0u | |
| Soyabeans (US) | 216.0 | +5.0 |
| Cotton Outlook'A' index | 85.40c | -0.20 |
| Wooltops (64s Super) | 440p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Dec/Jan.♥ w Feb. y Jan/Feb. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. † Sheep (Live weight prices). * Change on week † Prices are for previous day.



## CROSSWORD

No.8,958 Set by HIGHLANDER



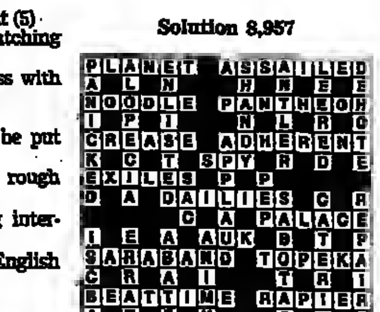
ACROSS

1 On waterway worked hard for ruthless taskmaster (5-6)
7 Graduate to piano roll (3)
9 Attack is beginning (5)
10 Drink drop to make up missing amount (9)
11 Cultivated grass still said to offer special spectacles (9)
12 Wise perhaps to throw nationalist leader in lake? (5)
13 Anne's out and about in trap (7)
15 Where art is seen as rubbishy stuff by English (4)
18 Bits of ice are welcome (4)
20 Plant idea – got to be different (7)
23 Do piece on end of story (5)
24 An expert on first revolutionary (9)
26 Top edges of dresses show wrinkles on cheek (9)
27 Animal shot out of sight (5)
28 Stop newspaperman catching name (3)
29 Avoided pretentiousness with plain door front (11)

DOWN

1 Cut of meat ought to be put before queen (8)
2 Burst out in sea that's rough and deep (8)
3 Dine at home, feeding interminably (3,2)
4 Got up sober to take English prig (7)
5 6-0, fast and rough (7)
6 Retired soldiers discussed settlement (9)
7 Burgundian centre providing boyfriend with half of wine (6)
8 Young bird reversed order at university (6)
14 A stupid sheep overturned plant (9)
16 To hang with short way to telephone (6,2)
17 What to est during Lent – hamburgers, perhaps? (4,4)
19 Picked up Shakespeare's King Edward (7)
20 Good bead girls sppear in spectacles (7)
21 Odds on top two in Germany cleaning material (6)
22 Bill brought up outside provided support is shown (6)
25 Sponge enclosure contains key (5)

Solution 8,957




مكذا من الاصل

## INTERNATIONAL CAPITAL MARKETS

# Treasuries retreat from session highs

By Lisa Bransten in New York and Antonia Sharpe in London

US Treasuries were mostly flat by midday yesterday as traders looked to Washington for news of budget negotiations, as the partial government shutdown entered its 20th day.

Prices were higher in early trading, lifted in part by optimism that meetings late on Tuesday had brought the White House and the Congress closer to a deal that would balance the budget by 2002.

Later, however, bonds fell from their session highs as few signs of concrete progress emerged. Congressional leaders were scheduled to meet President Clinton at 1:30pm for another round of negotiations.

By midday, the benchmark 30-year Treasury bond was up $\frac{1}{32}$ at $112\frac{21}{32}$ to yield 5.955 per cent, while at the short end of the maturity spectrum the two-year note was $\frac{1}{32}$ lower at $100\frac{1}{32}$, yielding 5.150 per cent.

Comments from Mr Alan Blinder, vice-chairman of the Federal Reserve, also helped move the market from its session highs. In a news agency story released at 11am, he warned that the lack of official economic statistics caused by the government shutdown was creating a "serious hardship" for monetary policymakers.

The dollar provided some support as it rose against the D-Mark and yen. In early trading it was changing hands at DM1.4415 and Y104.53 compared with DM1.4372 and Y103.92 late on Tuesday.

■ UK gilts continued to weaken yesterday on political concerns. There were reports that international investors were looking to reduce their exposure to the market because of worries about the impact of political uncertainty on sterling.

### GOVERNMENT BONDS

With gilts underperforming the rest of Europe, the spread over Germany widened to about 166 basis points from 160 points on Tuesday. Mr Stuart Thompson, international economist at Nikko, expects the apread to reach 175 basis points before stabilising.

However, in his view, such weakness in gilts is not justified. "The impact of politics has been overdone – the market has already discounted a Labour party victory and a Conservative minority government," he said.

Mr Thomson added that weakness in the economy, evidenced in yesterday's December purchasing managers' index, should lead to another cut in base rates, of about 25 basis points, by mid-February.

On Liffe, the March long gilt future fell $\frac{13}{32}$ to 110% in turnover of almost 31,000 contracts.

■ Hopes of further rate cuts and a soft D-Mark supported several European government bond markets. Ms Alison Cottrell, senior international economist at PaineWebber, said rate cuts were expected in France, Holland and Denmark. "Call money is slipping further in France," she said.

On the Matif, the March notional 10-year government bond rose 0.04 to 120.80 in relatively heavy volume of more than 87,000 contracts.

Mr Graham McDevitt, senior bond strategist at Paribas, said there was some speculation that the intervention rate, currently at 4.45 per cent, could be cut by 25 basis points today.

In Italy, the bond market gave back most of Tuesday's gains as the debate about the timing of the general election got under way.

The German bond market was weighed down by the allocation of DM5bn worth of 10-year paper.

# US trade in depositary receipts up by 37%

By Maggie Urry in New York

Trading in the US of depositary receipts, which represent the shares of non-US companies, reached record levels in 1995, according to figures from the Bank of New York and Citibank.

Some 10bn shares were traded, a 37 per cent increase on 1994, with the dollar value up 12 per cent to $278bn.

Non-US companies raised $12bn in the public and private markets, down from $20bn in 1994 but equal to 1993. Most of the money was raised in the second half.

European companies were the most active issuers, accounting for $7.2bn of the total and taking over from Latin American and Asian issuers, which dominated the markets in 1993 and 1994. More than one-third of the issues were related to privatisations. Latin American issues dropped after problems in the Mexican market in late 1994.

Mr Kenneth Lopian, senior vice-president at Bank of New York, said that "there was unprecedented activity during the second half of 1995 as depositary receipt capital raising nearly doubled from the first six months. In 1996, we expect companies from Latin America and Asia to return to the US market for capital."

He predicted European issues would equal those of 1995 and overall trading volume would rise 30 per cent.

Mr James Donovan, managing director at Citibank, said: "Issuers around the world are expressing keen interest in this market and the pipeline for 1996 looks strong." He also expected a number of large capital raisings, especially from Europe. "1996 could well be the year of the mega-deal for the ADR market," he predicted.

# Volatility fall hits European volumes

By Richard Lapper

Lower volatility in financial markets last year, especially compared with the first half of 1994, led to a decline in volume of roughly 13 per cent on the London International Financial Futures and Options Exchange (Liffe), Europe's largest derivatives exchange.

### DERIVATIVE INSTRUMENTS

Europe's next two largest exchanges also saw lower turnover. On Matif, the Paris-based futures market, volumes contracted by 21.2 per cent to 71.09m lots, while on the Deutsche Terminbörse, the derivatives division of Frankfurt's Deutsche Börse, 58.18m contracts were traded, a drop of 1.7 per cent.

On Liffe, overall volume amounted to 132.65m contracts, compared with 153.03m in 1994. Turnover of the long gilt futures contract fell by 27.6 per cent to 13.80m contracts.

Trading in long gilt options dropped by 25.49 per cent, while volumes in the German 10-year bond future, the exchange's most popular contract, were down 13.67 per cent at 32.23m. Turnover of the FT-SE 100 Index future fell by 20.21 per cent to 3.37m.

However, there was an increase in volume of open interest, which settled at 3.77m contracts compared with 3.14m at the end of 1994.

Turnover of a number of smaller contracts also grew rapidly. Sales of the three-month euro-Swiss contract and the Japanese government bond future grew by 76 per cent and 38 per cent respectively.

In Paris, Matif's biggest contract, the 10-year notionnel government bond, showed the biggest fall, with volume down by 33 per cent to 33.51m. However, trading in the volatile three-month Pibor contract increased. Volumes of the Pibor future and option rose respectively by 17.5 per cent to 15.49m, and 37.3 per cent to 4.62m. In Frankfurt, futures volumes fell from 25.47m to 24.77m contracts. Options fell from 33.74m to 33.41m contracts.

# High-yielding countries top bond league table

By Antonia Sharpe

Europe's high-yielding government bond markets – Italy, Spain and Sweden – provided the best returns in local currency terms in December, of 2.85 per cent, 2.38 per cent and 2.09 per cent respectively, according to J.P. Morgan.

Italy's performance reflected investor confidence in the country's budget while in Spain there had been strong domestic buying of government bonds, Morgan said.

Their gains contrasted with a local currency return of 1.02 per cent in the J.P. Morgan global bond index and 1.56 per cent in the European bond index. New Zealand and Japan were the only markets which posted negative returns in December, of 0.52 per cent and 1.21 per cent respectively.

In US dollar terms, Spain, France and Italy were the best performing markets in December with respective returns of 3.82 per cent, 3.76 per cent and 3.7 per cent. Morgan said the returns were based on their strong bond markets and continued appreciation of their currencies.

# Issuers in rush to start 1996 funding

By Conner Middelmann

The eurobond market exploded into action yesterday as borrowers rushed to get 1996 funding programmes under way.

DePfa, the German public-sector lending institution, launched DM1bn of five-year eurobonds. There were no underwriting banks and the three book-runners, Commerzbank, CSFB Effectenbank and Société Générale, took the entire offering on their books.

### INTERNATIONAL BONDS

"This structure has proved very successful with recent jumbo issues of Pfandbriefe and works if you have a group of banks that work well together," said DePfa's Mr Gerhard Bruckermann.

Nederlandse Waterschapsbank, a credit institute owned by the Dutch water boards, made its eurobond debut with DM500m of six-year bonds. While the bonds yielded 16 basis points over the German government bond due September 2001 at the re-offer price, they yielded the same as the January 2002 Unity bond, which many players thought was too tight for an unrated, unknown issuer. Lead manager ABN Amro Hoare Govett reported demand from the Benelux region, however, where the borrower is well known and is considered to have a triple-A rating.

BNG, the Dutch municipal financing institute, brought DM300m of four-year bonds – much less than the DM1bn five-year offering rumoured for weeks. At the smaller size, the issue was purely retail-targeted, lead ABN said.

Two more retail-targeted four-year deals, DM300m for GECC and DM250m for Bank Austria, came via BZW, as well as a four-year issue for Abbey National via BZW and Merrill Lynch, designed to catch redemption money freed when a DM250m Abbey National offering matures in February.

The US dollar sector also saw a slew of short-dated retail-targeted deals, most of which were tightly priced – albeit in line with outstanding bonds issued late last year.

Two Bavarian banks, Bayerische Vereinsbank and Bayerische Landesbank, issued three-year bonds, with the former priced to yield four basis points over Treasuries and the latter three basis points below.

Sweden returned to the lira market after a two-year absence with L500bn of five-year bonds, spurred by attractive swap arbitrage and strong investor demand.

European Investment Bank appears set to launch its long-rumoured £400m 10-year bond early next week after banks bid for the mandate yesterday.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| SCAT-1, Class A-1(a)★‡ | 1.552 | (a.s) | 100.00 | Jan.1997 | 0.05 | - | Lehman Brothers |
| Bayerische Vereinsbank | 300 | 5.25 | 99.797R | Feb.1999 | 0.1875R | +4(5½%-98) | Paribas Capital Markets |
| Abbey Natl.Treasury Services | 300 | 5.375 | 99.822R | Jan.1999 | 0.1875R | +15(5½%-98) | HSBC/ Salomon Brothers |
| DSL Bank | 250 | 5.25 | 99.50R | Feb.2000 | 0.225R | +3(l) | SBC Warburg |
| Bayerische Landesbank | 250 | 5.25 | 99.983R | Jan.1999 | 0.1875R | -3(5½%-98) | SBC Warburg |
| Electrobras(b) | 50 | 10.00# | 100.00R | Jan.1999 | 0.875R | +431(5¼%-97) | Salomon Brothers Intl. |
| **D-MARKS** | | | | | | | |
| Depfa Finance | 1bn | 5.125 | 99.55R | Jan.2001 | 0.25R | +48(5¾%-00) | Commerz/ CSFB/ SocGen |
| Nederlandse Waterschapsbank | 500 | 5.375 | 99.95R | Feb.2002 | 0.275R | +16(8¼%-01) | ABN Amro Hoare Govett |
| BNG(s) | 300 | 4.50 | 99.86R | Dec.1999 | 0.225R | +7(7%-99) | ABN Amro Hoare Govett |
| GECC(s) | 300 | 4.50 | 99.84R | Dec.1999 | 0.225R | +5(7%-99) | B.de Zoete Wedd(Deutsch.) |
| Abbey Natl.Treasury Services | 250 | 4.625 | 99.83R | Feb.2000 | 0.25R | +15(7%-00) | BZW/ Merrill Lynch Bank |
| Bank Austria(s) | 250 | 4.50 | 99.84R | Dec.1999 | 0.225R | +5(7%-99) | B.de Zoete Wedd(Deutsch.) |
| **SWISS FRANCS** | | | | | | | |
| SüdwestLB Capital Markets | 200 | 3.625 | 103.625 | Feb.2001 | 2.00 | - | Zürcher Kantonalbank |
| Henkel | 200 | 3.50 | 102.50 | Feb.2001 | 2.00 | - | SBC Warburg |
| Helaba Finance(c) | 200 | 3.75 | 104.20 | Dec.2000 | 2.00 | - | Credit Suisse |
| BNG(s) | 150 | 2.50 | 101.00 | Aug.1999 | 1.75 | - | UBS |
| Rabo Australia★ | 150 | 2.50 | 101.50 | Feb.1999 | 1.125 | - | SBC Warburg |
| Nationale Investeringsbank(s) | 125 | 3.25 | 102.90 | Dec.1999 | 1.75 | - | Credit Suisse |
| **ITALIAN LIRE** | | | | | | | |
| Kingdom of Sweden | 500 | 10.00 | 101.775 | Feb.2001 | 1.875 | - | IMI Bank Luxembourg |
| **DANISH KRONER** | | | | | | | |
| Dresdner Bank Finance | 400 | 6.875 | 102.114 | Feb.2003 | 1.875 | - | Kreditbank |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Short-term Card Account Trust. a1) 1-mth Libor +1bp. a2) Class A2: $48m. 1-mth Libor +10bp. 15/1/97. par. b) Puttable on 8/1/98 at 98¾%. c) Fungible with SFr200m. Plus 31 days accrued. l) Over interpolated yield. s) Short 1st coupon. sl) Short last coupon.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 10.000 | 02/06 | 112.8800 | +0.590 | 8.11 | 8.35 | 8.44 |
| Austria | | 6.500 | 11/05 | 101.5000 | +0.070 | 6.29 | 6.41 | 6.78 |
| Belgium | | 6.500 | 03/05 | 98.7600 | -0.030 | 6.68 | 6.76 | 6.84 |
| Canada * | | 6.750 | 12/05 | 111.7500 | +0.240 | 7.08 | 7.27 | 7.51 |
| Denmark | | 8.000 | 03/06 | 105.8800 | +0.260 | 7.16 | 7.36 | 7.58 |
| France | BTAN | 7.750 | 04/00 | 107.8750 | +0.410 | 5.90 | 5.90 | 6.17 |
| | OAT | 7.750 | 10/05 | 108.0500 | -0.030 | 6.61 | 6.72 | 7.02 |
| Germany Bund | | 6.500 | 10/05 | 103.6400 | +0.130 | 5.99 | 6.10 | 6.34 |
| Ireland | | 6.250 | 10/04 | 92.2500 | -0.100 | 7.48 | 7.59 | 7.77 |
| Italy | | 10.500 | 09/05 | 100.2900 | -0.080 | 10.45† | 10.73 | 11.37 |
| Japan | No 129 | 6.400 | 03/00 | 118.3100 | -0.000 | 1.72 | 1.52 | 1.39 |
| | No 174 | 4.600 | 09/04 | 111.8030 | - | 2.90 | 2.77 | 2.77 |
| Netherlands | | 6.750 | 11/05 | 105.6400 | +0.010 | 5.97 | 6.10 | 6.39 |
| Portugal | | 11.875 | 02/05 | 113.0000 | +0.150 | 9.66 | 9.87 | 10.67 |
| Spain | | 10.150 | 01/06 | 103.0500 | +0.110 | 9.56 | 9.74 | 10.51 |
| Sweden | | 6.000 | 02/05 | 85.5930 | +0.395 | 8.32 | 8.58 | 8.92 |
| UK Gilts | | 8.000 | 12/00 | 104-07 | -12/32 | 6.97 | 6.67 | 7.18 |
| | | 8.500 | 12/05 | 106-27 | -14/32 | 7.51 | 7.53 | 7.76 |
| | | 9.000 | 10/08 | 110-27 | -15/32 | 7.65 | 7.68 | 7.88 |
| US Treasury * | | 5.875 | 11/05 | 102-06 | +9/32 | 5.58 | 5.73 | 5.85 |
| | | 6.875 | 08/25 | 112-19 | +15/32 | 5.96 | 6.08 | 6.26 |
| ECU (French Govt) | | 7.500 | 04/05 | 104.0700 | -0.110 | 6.88 | 7.05 | 7.39 |

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

| Latest | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| Prime rate | 8½ | One month | 5.23 | Two year | 5.17 |
| Broker loan rate | 7¼ | Two month | 5.17 | Three year | 5.21 |
| Fed.funds | 6⅛ | Three month | 5.20 | Five year | 5.37 |
| Fed.funds at intervention | - | Six month | 5.22 | 10-year | 5.57 |
| | | One year | 5.16 | 30-year | 5.85 |

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 120.84 | 120.80 | -0.04 | 120.94 | 120.70 | 87,465 | 115,794 |
| Jun | 121.21 | 121.20 | -0.02 | 121.30 | 121.18 | 623 | 5,385 |
| Sep | 120.22 | 120.16 | -0.02 | 120.22 | 120.22 | 2 | 715 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Feb | Calls Mar | Calls Jun | Puts Feb | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|
| 118 | - | 3.03 | - | - | 0.26 | - |
| 119 | - | 2.19 | - | - | 0.41 | - |
| 120 | 1.15 | 1.49 | - | 0.30 | 0.66 | - |
| 121 | 0.51 | 0.91 | 1.73 | 0.67 | - | - |
| 122 | 0.18 | 0.51 | 1.24 | 1.41 | - | - |

Est. vol. total, Calls 9,079 Puts 5,471. Previous day's open int., Calls 116,216 Puts 114,215.

**Germany**

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 99.82 | 99.86 | -0.09 | 99.98 | 99.60 | 105100 | 206532 |
| Jun | 99.04 | 98.98 | -0.10 | 99.09 | 99.09 | 5 | 2069 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Feb | Calls Mar | Calls Apr | Calls Jun | Puts Feb | Puts Mar | Puts Apr | Puts Jun |
|---|---|---|---|---|---|---|---|---|
| 9950 | 0.56 | 0.86 | 0.73 | 1.04 | 0.40 | 0.70 | 1.25 | 1.56 |
| 10000 | 0.31 | 0.61 | 0.53 | 0.83 | 0.65 | 0.95 | 1.55 | 1.85 |
| 10050 | 0.16 | 0.42 | 0.38 | 0.66 | 1.00 | 1.26 | 1.90 | 2.18 |

Est. vol. total, Calls 16245 Puts 10950. Previous day's open int., Calls 152857 Puts 132680

**Italy**

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 109.15 | 108.92 | -0.22 | 109.29 | 108.77 | 32578 | 53067 |
| Jun | 108.60 | 108.42 | -0.22 | 108.60 | 108.60 | 69 | 1345 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 10850 | 1.75 | 2.52 | 1.33 | 2.60 |
| 10900 | 1.48 | 2.30 | 1.56 | 2.88 |
| 10950 | 1.24 | 2.08 | 1.82 | 3.16 |

Est. vol. total, Calls 2646 Puts 1863. Previous day's open int., Calls 45236 Puts 31510

**Spain**

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 96.45 | 96.46 | +0.09 | 96.67 | 96.16 | 50,867 | 45,645 |

**UK**

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 110-16 | 110-05 | -0-13 | 110-21 | 110-03 | 41651 | 135794 |
| Jun | - | 109-19 | -0-13 | - | - | 0 | 0 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Feb | Calls Mar | Calls Apr | Calls Jun | Puts Feb | Puts Mar | Puts Apr | Puts Jun |
|---|---|---|---|---|---|---|---|---|
| 110 | 0-55 | 1-20 | 1-24 | 1-58 | 0-45 | 1-10 | 1-50 | 2-18 |
| 111 | 0-27 | 0-54 | 0-63 | 1-31 | 1-17 | 1-44 | 2-25 | 2-57 |
| 112 | 0-11 | 0-32 | 0-42 | 1-09 | 2-01 | 2-22 | 3-04 | 3-35 |

Est. vol. total, Calls 1981 Puts 762. Previous day's open int., Calls 16836 Puts 15815

**Ecu**

■ ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 90.80 | 90.86 | -0.12 | 90.92 | 90.80 | 801 | 6,293 |

**US**

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 121-13 | 121-29 | +0-18 | 121-29 | 121-10 | 183,186 | 370,593 |
| Jun | 121-00 | 121-15 | +0-17 | 121-15 | 121-00 | 1,108 | 18,255 |
| Sep | - | 120-18 | +0-04 | - | - | 65 | 5,974 |

**Japan**

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 118.25 | - | - | 119.25 | 119.04 | 1224 | 0 |
| Jun | 117.66 | - | - | 117.66 | 117.66 | 100 | 0 |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price indices UK Gilts | Wed Jan 3 | Day's change % | Tue Jan 2 | Accrued interest | xd adj. ytd | | Low coupon yield Jan 3 | Jan 2 | Yr. ago | Medium coupon yield Jan 3 | Jan 2 | Yr. ago | High coupon yield Jan 3 | Jan 2 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (23) | 122.77 | -0.16 | 122.97 | 1.96 | 0.12 | 5 yrs | 7.01 | 6.95 | 8.69 | 7.04 | 6.97 | 8.70 | 7.11 | 7.04 | 8.89 |
| 2 5-15 years (21) | 149.83 | -0.25 | 150.21 | 1.98 | 0.00 | 15 yrs | 7.70 | 7.66 | 8.58 | 7.74 | 7.70 | 8.71 | 7.83 | 7.76 | 8.95 |
| 3 Over 15 years (9) | 165.86 | -0.30 | 166.36 | 1.67 | 1.02 | 20 yrs | 7.78 | 7.75 | 8.53 | 7.82 | 7.79 | 8.71 | 7.86 | 7.84 | 8.87 |
| 4 Irredeemables (6) | 190.63 | -0.40 | 191.39 | 1.35 | 0.00 | Irred.† | 7.89 | 7.86 | 8.59 | | | | | | |
| 5 All stocks (58) | 144.48 | +0.23 | 144.81 | 1.95 | 0.21 | | | | | | | | | | |

| Index-linked | Wed Jan 3 | Day's change % | Tue Jan 2 | Accrued interest | xd adj. ytd | | Inflation 5% Jan 3 | Jan 2 | Yr. ago | Inflation 10% Jan 3 | Jan 2 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (1) | 196.85 | -0.04 | 196.93 | 1.67 | 0.00 | Up to 5 yrs | 2.46 | 2.43 | 4.13 | 1.27 | 1.24 | 2.90 |
| 7 Over 5 years (11) | 188.98 | -0.07 | 189.11 | 0.60 | 0.00 | Over 5 yrs | 3.51 | 3.51 | 3.86 | 3.32 | 3.31 | 3.69 |
| 8 All stocks (12) | 189.02 | -0.07 | 189.15 | 0.82 | 0.00 | | | | | | | |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date

### FT FIXED INTEREST INDICES

| | Jan 3 | Jan 2 | Dec 29 | Dec 28 | Dec 27 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 95.28 | 95.52 | 95.84 | 95.82 | 95.75 | 90.80 | 96.22 | 90.22 |
| Fixed Interest | 114.28 | 114.62 | 114.75 | 114.66 | 114.32 | 109.45 | 115.04 | 108.77 |

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

### GILT EDGED ACTIVITY INDICES

| | Jan 2 | Dec 29 | Dec 28 | Dec 27 | Dec 22 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 71.7 | 28.6 | 45.6 | 45.0 | 42.6 |
| 5-day average | 46.7 | 47.6 | 57.1 | 66.1 | 73.7 |

## UK GILTS PRICES

| Notes | Yield Int | Yield Red | Price £ | + or - | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on January 3

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| **U.S. DOLLAR STRAIGHTS** | | | | | |
| Abbey Natl Treasury 5 97 | 1000 | 99½ | 99⅝ | | 5.48 |
| Abbey Natl Treasury 6½ 02 | 1000 | 102⅝ | 102⅞ | +⅛ | 6.04 |
| ABN Amro Bank 7¼ 00 | 1000 | 107¼ | 107½ | +⅛ | 6.32 |
| African Dev Bk 7⅞ 23 | 500 | 107⅞ | 108⅜ | +⅛ | 6.73 |
| Alberta Province 7⅝ 98 | 1000 | 105½ | 105¾ | +⅛ | 5.47 |
| Asian Dev Bank 6¼ 00 | 750 | 102¾ | 102⅞ | +¼ | 5.96 |
| [illegible] | | | | | |
| Sweden 8 97 | 2500 | 107 | 107¼ | | 3.97 |
| United Kingdom 7¼ 97 | 5500 | 105⅝ | 105¾ | | 3.85 |
| Volkswagen Intl Fin 7 03 | 1000 | 104¼ | 104⅞ | | 6.17 |
| World Bank 0 15 | 2000 | 29⅜ | 29⅝ | +⅛ | 6.33 |
| World Bank 5⅞ 02 | 3000 | 100⅝ | 100⅞ | +⅛ | 5.77 |
| **SWISS FRANC STRAIGHTS** | | | | | |
| [illegible] | | | | | |
| Abbey Natl Treasury 8 02 £ | 1000 | 101 | 101⅛ | -¼ | 7.80 |
| Alliance Leics 11⅜ 97 £ | 100 | 105¾ | 106 | -⅛ | 6.70 |
| British Land 8⅞ 23 £ | 150 | 94⅛ | 95 | -⅛ | 9.70 |
| Denmark 6¾ 98 £ | 800 | 99¾ | 99⅞ | -⅛ | 6.83 |
| EIB 8 02 £ | 1000 | 102¼ | 102⅜ | -⅛ | 7.60 |
| Halifax 10⅜ 97 £ | 100 | 104 | 104¼ | -⅛ | 6.68 |
| Hanson 10⅜ 97 £ | 500 | 105⅝ | 105⅞ | -⅛ | 6.91 |
| [illegible] | | | | | |

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

# CURRENCIES AND MONEY

MARKETS REPORT

## Dollar and high-yielders continue to advance

By Philip Gawith

The early currency themes of 1996 were reinforced yesterday with the dollar making further advances against the yen and the D-Mark, while the German currency slipped back in Europe.

In the absence of official economic data in the US, and no deal oo the budget, dollar optimism has more to do with developments in Europe and Japan. Whatever the reasons, the dollar was able to rise to its highest level in around four months against the yen, before closing in London at Y104.365, from Y103.965. It is within sight of Y104.70, the 1995 high. It was also firmer against tha generally weaker D-Mark, gaining half a pfennig to close at DM1.4403, from DM1.4347.

In Europe, currencies like the French franc, Spanish peseta and Swedish krona made further advances against the D-Mark. The franc rose to an 18 mooth high of FFr3.4075, before finishing at FFr3.413, from FFr3.414. The kroaa closed at SKr4.579, from SKr4.617. The lira closed at L1,093, after reaching an intraday high of L1,088.2.

The D-Mark rallied off its lows amid market rumours that central banks in Italy, France, Spain and Portugal were taking advantage of domestic currency strength to rebuild their D-Mark reserves.

After falling overnight against the D-Mark, sterling gained more than a pfennig to reach DM2.2380 during New York trading, compared to a London close oo Tuesday of DM2.2335. It lost half a cent against the dollar, finishing at $1.5511, from $1.5568.

■ Tha strength of tha high-yielding currencies, notwithstanding fragile politics in countries like Italy, France and Spain, reflects the view that in the absence of moch currency volatility, and apparent D-Mark weakness, it is a safe bet to invest in markets offering better returns.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said recent evidence of economic weakness in the US, such as the purchasing manager's report released earlier this week, would offer further support to the high-yielders. He said evidence which indicated that the US may cut rates again would support a similar move in Germany, where the economy is widely seen to be suffering from an overvalued currency.

"This would remove the main obstacle to buying the high-yielders, which is the fear that Germany may raise rates again," said Mr Persaud.

Mr Persaud said it was "very dangerous to bet against this trend at the moment," but already sceptical voices can be heard. Mr Chris Turner, currency strategist at BZW in London, said: "There must come a point wheo slow growth in Europe stops being a positive for these currencies."

He predicted that it would cause problems for countries trying to meet Maastricht budget deficit criteria, predicting that the French franc could run into trooble later in the year.

■ One of the early, if familiar, themes to emerge in 1996 concerns Japanese capital flows. Amid yen weakness, low Japanese interest rates, and the perceived need of Japanese investors to boost returns, there is much speculation about where they will put their mooey. Recent strength in the Canadian and Australian dollars has been attributed to the expectation of Japanese capital flows.

Ms Patricia Elbaz, technical analyst at MMS in London, says the next target for the dollar is Y105.5, the June 1994 peak, with the medium term objective of Y110.

But Mr Turner said he was suspicious about the durability of the dollar's current rally against the yen, saying that a large part of it could be attriboted to seasooal factors which might well reverse in February/March.

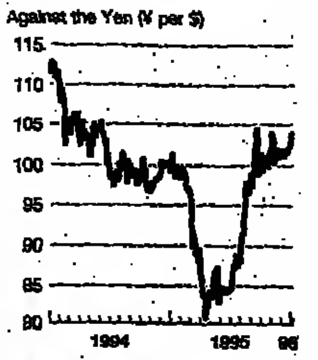
Further out, the dollar may receive support from Japanese economic recovery which would pull in imports, crimping the trade surplus and encouraging capital outflows - all dollar positive.

But Mr Turner said a turnaround in the Japanese economy could also bring with it the expectation of higher interest rates. If Japan leads other industrial countries in tightening policy, this could attract renewed capital flows back into Japan, boosting the yen.

Recent moves in the Euroyen cootracts show that the market has already started to price in some tightening in interest rates - which was not the case only a few weeks ago.

**Dollar**

Against the Yen (¥ per $)




Source: FT Extel

■ Pound in New York

| Jan 3 | —Latest— | – Prev. close – |
|---|---|---|
| £ spot | 1.5530 | 1.5540 |
| 1 mth | 1.5518 | 1.5527 |
| 3 mth | 1.5494 | 1.5507 |
| 1 yr | 1.5375 | 1.5393 |

■ OTHER CURRENCIES

| Jan 3 | £ | $ |
|---|---|---|
| Czech Rp | 41.3700 - 41.4122 | 26.6800 - 26.6900 |
| Hungary | 211.781 - 211.995 | 136.580 - 136.630 |
| Iran | 4654.80 - 4651.80 | 3000.00 - 3000.00 |
| Kuwait | 0.4638 - 0.4649 | 0.2991 - 0.2996 |
| Poland | 3.8395 - 3.8449 | 2.4760 - 2.4780 |
| Russia | 7239.77 - 7238.20 | 4668.00 - 4668.00 |
| U.A.E. | 5.6943 - 5.6986 | 3.6723 - 3.6727 |

POUND SPOT FORWARD AGAINST THE POUND

| Jan 3 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Europe | | | | | | | | | | | | | |
| Austria | (Sch) | 15.7138 | +0.0016 | 048 - 227 | 15.7326 | 15.6705 | 15.6703 | 3.3 | 15.6263 | 2.2 | - | - | 108.4 |
| Belgium | (BFr) | 45.9281 | +0.0117 | 823 - 738 | 46.2190 | 45.7940 | 45.8231 | 2.7 | 45.6431 | 2.5 | 44.9431 | 2.1 | 108.8 |
| Denmark | (DKr) | 8.6458 | -0.0012 | 407 - 509 | 8.6580 | 8.6238 | 8.6341 | 1.6 | 8.6166 | 1.3 | 8.5583 | 1.0 | 109.3 |
| Finland | (FM) | 8.7233 | -0.026 | 172 - 293 | 8.7600 | 8.7130 | 8.7189 | 0.8 | 8.7108 | 0.7 | - | - | 87.1 |
| France | (FFr) | 7.6252 | +0.0008 | 212 - 292 | 7.6375 | 7.6020 | 7.62 | 0.8 | 7.6116 | 0.7 | 7.5656 | 0.8 | 110.8 |

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Jan 3 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Europe | | | | | | | | | | | | | |
| Austria | (Sch) | 10.1307 | +0.0377 | 282 - 332 | 10.1540 | 10.1332 | 10.1152 | 1.8 | 10.0892 | 1.6 | 9.9857 | 1.4 | 106.4 |
| Belgium | (BFr) | 29.6100 | +0.115 | 900 - 300 | 29.7400 | 29.4900 | 29.558 | 2.1 | 29.47 | 1.8 | 29.165 | 1.5 | 108.4 |
| Denmark | (DKr) | 5.5740 | +0.0195 | 725 - 755 | 5.5873 | 5.5586 | 5.5702 | 0.8 | 5.564 | 0.7 | 5.5815 | -0.1 | 108.6 |
| Finland | (FM) | 4.3345 | -0.001 | 320 - 370 | 4.3484 | 4.3285 | 4.3295 | 1.4 | 4.3208 | 1.3 | 4.292 | 1.0 | 86.1 |
| France | (FFr) | 4.9190 | +0.0164 | 150 - 170 | 4.9233 | 4.9020 | 4.9192 | -0.8 | 4.9236 | -0.6 | 4.9 | 0.3 | 110.3 |

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

| Jan 3 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Norway | (NKr) | 46.65 | 8.783 | 7.746 | 2.269 | 0.984 | 2481 | 2.542 | 10 | 236.0 | 191.3 | 10.39 | 1.829 | 1.016 | 2.135 | 1.576 | 164.4 | 1.231 |
| Portugal | (Es) | 19.77 | 3.722 | 3.282 | 0.962 | 0.417 | 1051 | 1.077 | 4.238 | 100. | 81.06 | 4.404 | 0.775 | 0.430 | 0.905 | 0.668 | 69.65 | 0.522 |
| Spain | (Pta) | 24.39 | 4.592 | 4.049 | 1.186 | 0.515 | 1297 | 1.329 | 5.228 | 123.4 | 100. | 5.433 | 0.956 | 0.531 | 1.116 | 0.824 | 85.93 | 0.644 |
| Sweden | (SKr) | 44.89 | 8.452 | 7.454 | 2.184 | 0.947 | 2387 | 2.446 | 9.623 | 227.1 | 184.1 | 10 | 1.760 | 0.978 | 2.055 | 1.518 | 158.2 | 1.185 |
| Switzerland | (SFr) | 25.51 | 4.803 | 4.236 | 1.241 | 0.538 | 1357 | 1.390 | 5.469 | 129.1 | 104.6 | 5.683 | 1 | 0.556 | 1.168 | 0.862 | 89.89 | 0.673 |
| UK | (£) | 45.92 | 8.646 | 7.625 | 2.234 | 0.969 | 2442 | 2.502 | 9.844 | 232.3 | 188.3 | 10.23 | 1.800 | 1 | 2.102 | 1.551 | 161.8 | 1.212 |
| Canada | (C$) | 21.85 | 4.113 | 3.627 | 1.063 | 0.461 | 1162 | 1.190 | 4.683 | 110.5 | 89.58 | 4.867 | 0.856 | 0.476 | 1 | 0.738 | 76.97 | 0.577 |
| US | ($) | 29.61 | 5.574 | 4.918 | 1.440 | 0.625 | 1574 | 1.613 | 8.347 | 149.8 | 121.4 | 6.596 | 1.161 | 0.645 | 1.355 | 1 | 104.3 | 0.781 |
| Japan | (Y) | 28.38 | 5.344 | 4.713 | 1.381 | 0.599 | 1509 | 1.546 | 6.084 | 143.6 | 116.4 | 6.323 | 1.112 | 0.616 | 1.299 | 0.959 | 100. | 0.746 |
| Ecu | | 37.89 | 7.134 | 6.291 | 1.843 | 0.800 | 2015 | 2.064 | 8.122 | 191.7 | 155.4 | 8.441 | 1.485 | 0.825 | 1.734 | 1.280 | 133.5 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.6985 | 0.6957 | -0.0031 | 0.6991 | 0.6953 | 20,066 | 50,064 |
| Jun | 0.7010 | 0.6996 | -0.0023 | 0.7010 | 0.6983 | 14 | 2,886 |
| Sep | - | 0.7048 | - | - | - | 5 | 1,089 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.9723 | 0.9665 | -0.0056 | 0.9730 | 0.9663 | 13,240 | 69,252 |
| Jun | 0.9795 | 0.9785 | -0.0053 | 0.9795 | 0.9782 | 298 | 2,147 |
| Sep | - | 0.9948 | - | - | - | 17 | 312 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.8694 | 0.8663 | -0.0039 | 0.8714 | 0.8663 | 8,116 | 35,030 |
| Jun | 0.8785 | 0.8753 | -0.0027 | 0.8785 | 0.8747 | 25 | 1,000 |
| Sep | - | 0.8853 | - | - | - | 2 | 87 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 1.5522 | 1.5462 | -0.0072 | 1.5522 | 1.5454 | 11,263 | 30,610 |
| Jun | 1.5464 | 1.5464 | -0.0038 | - | 1.5420 | 11 | 39 |
| Sep | - | 1.5390 | -0.0074 | - | 1.5380 | 1 | 5 |

UK INTEREST RATES

LONDON MONEY RATES

| Jan 3 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 6¼ - 5 | 6⅝ - 6⁷⁄₁₆ | 6⅝ - 6½ | 6⅜ - 6⁷⁄₁₆ | 6½ - 6⅜ | 6⁷⁄₁₆ - 6⅜ |
| Sterling CDs | - | - | 6¹¹⁄₃₂ - 6¹⁵⁄₃₂ | 6½ - 6⁷⁄₁₆ | 6¹³⁄₃₂ - 6⁵⁄₁₆ | 6⅜ - 6¼ |
| Treasury Bills | - | - | 6⅜ - 6⅜ | 6¼ - 6⅛ | - | - |
| Bank Bills | - | - | 6¹³⁄₃₂ - 6¹¹⁄₃₂ | 6¹¹⁄₃₂ - 6⅝ | 6⅜ - 6¼ | - |
| Local authority deps. | 6⁷⁄₁₆ - 6⁷⁄₁₆ | 6½ - 6⅜ | 6⁷⁄₁₆ - 6⁷⁄₁₆ | 6⅝ - 6⁷⁄₁₆ | 6⁷⁄₁₆ - 6⅜ | 6¹¹⁄₃₂ - 6⅞ |
| Discount Market deps | 6¼ - 6¼ | 6⅜ - 6⁷⁄₁₆ | - | - | - | - |

UK clearing bank base lending rate 6½ per cent from December 13, 1995

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 2½ | 5½ | 5 | 5 | 4¾ |

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 6.2150pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 29, 1995. Agreed rate for period Jan 24, 1995 to Feb 25, 1996, Schemes II & III 7.82pc. Reference rate for period Dec 1, 1995 to Dec 29, 1995, Schemes IV & V 6.552pc. Finance House Base Rate 7pc from January 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 93.71 | 93.68 | -0.03 | 93.71 | 93.66 | 19651 | 90787 |
| Jun | 93.82 | 93.75 | -0.08 | 93.82 | 93.74 | 32591 | 81765 |
| Sep | 93.83 | 93.73 | -0.11 | 93.83 | 93.72 | 22057 | 52204 |
| Dec | 93.71 | 93.58 | -0.14 | 93.71 | 93.55 | 9235 | 37697 |
| Mar | 93.49 | 93.36 | -0.18 | 93.50 | 93.36 | 4500 | 30532 |

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Mar | CALLS Jun | CALLS Sep | PUTS Mar | PUTS Jun | PUTS Sep |
|---|---|---|---|---|---|---|
| 9350 | 0.24 | 0.40 | 0.50 | 0.06 | 0.15 | 0.27 |
| 9375 | 0.10 | 0.25 | 0.36 | 0.17 | 0.25 | 0.38 |
| 9400 | 0.03 | 0.14 | 0.25 | 0.35 | 0.39 | 0.52 |

Est. vol. total, Calls 7106 Puts 5536. Previous day's open int., Calls 103048 Puts 89185

EMS EUROPEAN CURRENCY UNIT RATES

| Jan 3 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Spain | 162.493 | 158.999 | -0.338 | -2.15 | 5.64 | 16 |
| Netherlands | 2.15214 | 2.11306 | +0.00202 | -1.81 | 5.27 | 13 |
| Belgium | 39.3960 | 38.8023 | +0.0517 | -1.51 | 4.95 | 11 |
| Austria | 13.4383 | 13.2772 | +0.0129 | -1.20 | 4.62 | 8 |
| Germany | 1.91007 | 1.88740 | +0.00192 | -1.19 | 4.61 | 12 |
| Denmark | 7.28580 | 7.30477 | +0.00395 | 0.26 | 3.10 | -2 |
| Portugal | 195.792 | 196.359 | +0.076 | 0.29 | 3.07 | -2 |
| France | 6.40608 | 6.44516 | +0.00279 | 0.61 | 2.74 | -5 |
| Ireland | 0.792214 | 0.818865 | -0.002837 | 3.36 | 0.00 | -23 |
| NON ERM MEMBERS | | | | | | |
| Greece | 292.867 | 311.048 | -0.817 | 6.21 | -2.68 | - |
| Italy | 2106.15 | 2059.96 | -1.34 | -2.18 | 5.68 | - |
| UK | 0.786652 | 0.844329 | -0.003875 | 7.41 | -3.77 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | CALLS Jan | CALLS Feb | CALLS Mar | PUTS Jan | PUTS Feb | PUTS Mar |
|---|---|---|---|---|---|---|
| 1.520 | 3.05 | 3.54 | 4.13 | 0.08 | 0.69 | 1.40 |
| 1.530 | 2.20 | 2.82 | 3.46 | 0.18 | 0.98 | 1.75 |
| 1.540 | 1.41 | 2.23 | 2.90 | 0.31 | 1.31 | 2.17 |
| 1.550 | 0.79 | 1.70 | 2.43 | 0.69 | 1.71 | 2.59 |
| 1.560 | 0.38 | 1.21 | 1.98 | 1.28 | 2.27 | 3.15 |
| 1.570 | 0.16 | 0.86 | 1.59 | 2.04 | 2.86 | 3.57 |

Previous day's vol., Calls 4,009 Puts 1,188 . Prev. day's open int., Calls 134,292 Puts 187,802

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.67 | 94.69 | +0.01 | 94.70 | 94.65 | 37,855 | 432,415 |
| Jun | 94.92 | 94.93 | +0.02 | 94.94 | 94.88 | 41,860 | 393,086 |
| Sep | 94.98 | 95.01 | +0.03 | 95.02 | 94.98 | 30,213 | 251,187 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 95.14 | 95.15 | +0.02 | 95.15 | 95.14 | 524 | 7,792 |
| Jun | 95.34 | 95.35 | - | 95.37 | 95.34 | 34 | 4,487 |
| Sep | - | 95.41 | +0.01 | 95.42 | - | 10 | 147 |

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

| Strike Price | CALLS Jan | CALLS Feb | CALLS Mar | CALLS Jun | PUTS Jan | PUTS Feb | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|---|---|
| 9625 | 0.20 | 0.23 | 0.24 | 0.39 | 0 | 0.03 | 0.04 | 0.06 |
| 9650 | 0.02 | 0.05 | 0.07 | 0.22 | 0.07 | 0.10 | 0.12 | 0.16 |
| 9675 | 0 | 0.01 | 0.01 | 0.09 | 0.30 | 0.31 | 0.31 | 0.28 |

Est. vol. total, Calls 1676 Puts 4674. Previous day's open int., Calls 169927 Puts 210949

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Mar | CALLS Jun | CALLS Sep | PUTS Mar | PUTS Jun | PUTS Sep |
|---|---|---|---|---|---|---|
| 9825 | 0.10 | 0.22 | 0.29 | 0.09 | 0.13 | 0.24 |

BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6.50 | Duncan Lawrie | 6.50 | Royal Bk of Scotland | 6.50 |
| Allied Trust Bank | 6.50 | Exeter Bank Limited | 7.50 | ●Singer & Friedlander | 6.50 |
| AIB Bank | 6.75 | Financial & Gen Bank | 7.50 | ●Smith & Williamson Secs. | 6.50 |
| ●Henry Ansbacher | 6.50 | ●Robert Fleming & Co | 6.50 | TSB | 6.50 |
| Bank of Baroda | 6.50 | Girobank | 6.75 | United Bank of Kuwait | 6.75 |
| Banco Bilbao Vizcaya | 6.50 | ●Guinness Mahon | 6.50 | Unity Trust Bank Plc | 6.50 |
| Bank of Cyprus | 6.50 | Habib Bank AG Zurich | 6.50 | Western Trust | 6.50 |
| Bank of Ireland | 6.50 | ●Hambros Bank | 6.50 | Whiteaway Laidlaw | 6.50 |
| Bank of India | 6.50 | Heritable & Gen Inv Bk | 6.75 | Yorkshire Bank | 6.50 |
| Bank of Scotland | 6.50 | ●Hill Samuel | 6.50 | | |
| Barclays Bank | 6.50 | C. Hoare & Co | 6.50 | ● Members of London Investment Banking Association | |
| Brit Bk of Mid East | 6.50 | Hongkong & Shanghai | 6.50 | * In administration | |
| ●Brown Shipley & Co Ltd | 6.50 | Julian Hodge Bank | 6.50 | | |
| Citibank NA | 6.50 | ●Leopold Joseph & Sons | 6.50 | | |
| Clydesdale Bank | 6.50 | Lloyds Bank | 6.50 | | |

# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt CapEm | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Allied Domecq | ♣W□ | 549xd | +12 | 596 | 478½ | 5,576 | 5.4 | 22.1 |
| Bulmer (HP) | †v | 505 | +1 | 505 | 384 | 288.8 | 3.1 | 16.6 |
| Burn St Dist | v□ | 120 | — | 140 | 99 | 76.6 | 4.8 | 27.8 |
| Grand Met | ♣W□ | 453xd | — | 467 | 352 | 9,536 | 4.1 | 16.0 |
| Guinness | ♣†v□ | 492 | +9 | 530 | 404 | 9,780 | 3.7 | 15.0 |
| Highland | v□ | 329xd | +2 | 444 | 317 | 438.2 | 3.0 | 14.9 |
| Kirin Y | □ | 783¼ | -¼ | 774¼ | 621 | 7,831 | 0.6 | 29.8 |
| Macallan-Glen | ♣†v | 191 | +1 | 217 | 175 | 224.2 | 0.9 | 42.4 |
| Macdon Martin A | †v | 625xd | — | 710 | 600 | 85.6 | 2.2 | 17.8 |
| Matthew Clark | ♣v□ | 674 | -2 | 861 | 532 | 603.9 | 3.9 | - |
| Merrydown | †v | 107xd | -7 | 148 | 67 | 11.7 | 2.3 | - |
| Seagram S | | £22⅛ | +⅛ | £25¾ | £16⅞ | 6,189 | 1.3 | - |
| Taunton Cider | ♣v□ | 253 | +3 | 259 | 129 | 278.3 | 3.5 | 24.7 |

## BANKS, MERCHANT

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt CapEm | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Baring 8pc Cm 2nd Prf | | 50½ | — | 98 | 50¼ | 6.31 | 19.8 | - |
| Cater Allen | ♣†v | 426xd | +1 | 525 | 418 | 138.9 | 6.6 | 7.0 |
| Close Bros | ♣v□ | 320 | — | *340½ | 218¼ | 390.7 | 3.4 | 14.2 |
| Gerrard & Nat | ♣v | 444 | — | 490 | 395 | 218.7 | 6.3 | 14.3 |
| Hambros | v□ | 212 | +3 | 253 | 180 | 374.8 | 4.4 | - |
| 7½pc Cv Pf | | 99 | — | 112 | 94 | 127.6 | 9.5 | - |
| Joseph (L) | ♣†v | 446 | — | 493 | 353 | 23.7 | 5.2 | 25.0 |
| King & Shaxson | ♣v□ | 152xd | +8 | 152 | 85 | 30.1 | 7.4 | 11.8 |
| Rea Brothers | ♣v | 46 | -1 | 67 | 44 | 30.9 | 2.0 | 25.6 |
| Schroders | ♣†W□ | 1378 | +10 | *1478 | 905½ | 2,980 | 1.3 | 19.6 |
| N/V | †W | 1123 | — | *1150 | 823¼ | 484.1 | 1.9 | 18.0 |
| Singer & Fried | ♣†v□ | 109 | — | 111 | 61 | 214.4 | 4.2 | 11.3 |
| 8½pc Cv Ln 09/14 | | £135½ | — | £137 | £1⅞ | 41.5 | 6.3 | - |
| Union | ♣v□ | 94 | +2 | 121 | 76 | 26.0 | 4.0 | - |
| Wintrust | ♣†v | 276 | — | 295 | 280 | 23.6 | 5.4 | 15.5 |

## BANKS, RETAIL

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt CapEm | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| ABN Amro Fl | □ | 229⅝ | +⅞ | 230⅞ | 221⅞ | 8,897 | 4.3 | 11.0 |
| ANZ A$ | | 311 | +3 | 311 | 198 | 4,321 | 5.1 | - |
| Abbey National | ♣†W□ | 647 | +6 | 654 | 413 | 8,540 | 3.7 | 13.0 |
| Allied Irish IE | ♣†□ | 298 | +8 | 308 | 250 | 2,406 | 4.0 | 10.5 |
| Anglo Irish IE | □ | 69xd | — | 70 | 48 | 227.1 | 6.6 | 11.2 |
| Asahi Y | | 793¼ | -¼ | 897¼ | 805¼ | 18,430 | 0.6 | - |
| Banco Bil Viz Pts | †□ | £22¾ | +⅛ | £22¾ | £14¼ | 9,305 | 4.2 | - |
| Banco Sant Pts | | £33¼ | +2⅜ | £33¾ | £22⅞ | 5,320 | 4.0 | 22.6 |
| Bk Ireland IE | †v□ | 479xd | +8 | 498 | 288 | 2,277 | 3.5 | 9.8 |
| Bank Scotland | ♣†v□ | 236 | +5 | 307½ | 191½ | 3,469 | 2.6 | 13.6 |
| 9¼pc Pf | | 116 | -¼ | 199½ | 109¾ | 119.9 | 9.7 | - |
| 10⅜pc Pf | | 125½ | — | 137¼ | 112¼ | 125.5 | 8.7 | - |
| Barclays | ♣†v□ | 778 | +20 | 812½ | 567½ | 12,619 | 3.6 | 10.6 |
| Dai Ichi Kan Y | □ | 212⅞ | — | 213¾ | £9⅝ | 36,840 | 0.4 | - |

## BUILDING MATS. & MERCHANTS - Cont.

## CHEMICALS

## DISTRIBUTORS

## BREWERIES, PUBS & REST

## BUILDING & CONSTRUCTION

## DIVERSIFIED INDUSTRIALS

## BUILDING MATS. & MERCHANTS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ELECTRONIC & ELECTRICAL EQPT - Cont.

## ENGINEERING

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## EXTRACTIVE INDUSTRIES - Cont.

## FOOD PRODUCERS

## GAS DISTRIBUTION

## HEALTH CARE

## HOUSEHOLD GOODS

## HOUSEHOLD GOODS - Cont.

## INSURANCE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

## INV TRUSTS SPLIT CAPITAL

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## LONDON SHARE SERVICE

### INV TRUSTS SPLIT CAPITAL - Cont.

### OTHER INVESTMENT TRUSTS

### INVESTMENT COMPANIES

### LEISURE & HOTELS

### LEISURE & HOTELS - Cont.

### LIFE ASSURANCE

### MEDIA

### OIL EXPLORATION & PRODUCTION

### OIL, INTEGRATED

### OTHER FINANCIAL

### OTHER FINANCIAL - Cont.

### PAPER, PACKAGING & PRINTING

### PHARMACEUTICALS



### PHARMACEUTICALS - Cont.

### PROPERTY

### PROPERTY - Cont.

### RETAILERS, FOOD

### RETAILERS, GENERAL

### RETAILERS, GENERAL - Cont.

### SUPPORT SERVICES

### SUPPORT SERVICES - Cont.

### TELECOMMUNICATIONS

### TEXTILES & APPAREL

### TOBACCO

### TRANSPORT

### WATER

### AIM

### AIM - Cont.

### AMERICANS

### CANADIANS

### SOUTH AFRICANS

| | Notes | Price | + or - | 52 week high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £31½ | | £34 | £29 | 2,111 | 2.7 | 15.6 |
| Barlow | | [illegible] | [illegible] | [illegible] | [illegible] | 1,944 | 1.8 | φ |
| Gold Flds Prop R | | 157 | — | 157 | 139 | 16.1 | 6.8 | 7.0 |
| HK Props. | | 92 | — | 95 | 85 | 3.70 | 13.0 | - |
| SASOL | | 639 | -3 | 645 | 435 | 3,160 | 2.6 | - |
| SA Brews | | £24¼ | [illegible] | £24¼ | £17¼ | 7,234 | 1.4 | 32.9 |
| Standard Bank | □ | £31¼ | [illegible] | £31¼ | £20¼ | 3,783 | 1.5 | 21.7 |
| Tiger Oats | | 1132xd | -18 | 1185 | 700 | 1,705 | 1.1 | φ |
| Tongaat-Hulett | † | 1126xd | — | 1126 | 636 | 1,025 | 1.7 | 21.3 |

### GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
S Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf 19 capital distribution.

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## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

### BERMUDA (REGULATED)(**)

### GUERNSEY (SIB RECOGNISED)

### GUERNSEY (REGULATED)(**)

### IRELAND (SIB RECOGNISED)

### IRELAND (REGULATED)(**)

### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

### JERSEY (SIB RECOGNISED)

### JERSEY (REGULATED)(**)

### LUXEMBOURG (SIB RECOGNISED)

### LUXEMBOURG (REGULATED)(**)

هكذا من الأصل

# FT MANAGED FUNDS SERVICE

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# LONDON STOCK EXCHANGE

MARKET REPORT

## Bid hopes and Wall St drive Footsie to new record

By Steve Thompson,
UK Stock Market Editor

London's equity market was one of a host of European markets to hit all-time highs yesterday, with the two main indices, the FT-SE 100 and the FT-SE Actuaries All-Share index both recording new peaks. The FT-SE future, too, closed at an all-time high, while the FT-SE Mid 250 index hit its best level for almost two years.

At the close, the FT-SE 100 was 27.7 firmer at 3,715.6, while the All-Share was up 12.18 points at 1,815.96. The Mid 250 index was finally 17 points ahead at 4,053.9.

The main driving force behind the gains in London came from Wall Street, where the Dow Jones Industrial Average, after surging over 60 points on Tuesday evening, raced ahead again at the outset of trading yesterday, breaking through the 5,200 level. An hour after London closed for business, the Dow was around 20 points higher.

Another powerful bull story said to be encouraging buyers into UK equities was that a fresh batch of mergers and bids could be about to emerge in London. Last year saw bids and mergers worth almost £41bn in the UK. "The institutions won't sell the market while all these bid rumours are doing the rounds," said one senior marketmaker. Among the rumoured bid targets are Asda, GRE, Sedgwick, Rexam and Aberdeen Trust, he said. And HSBC was rumoured to be about to acquire on the larger UK building societies.

A late story circulating in the City was that an increased offer for Forte, the hotels and leisure group, would be announced either this morning or tomorrow. Rumours suggested that Granada would increase its offer from just below 330p to 370p in cash, a level which some leisure specialists could win the day for Granada.

Wall Street's spectacular gain overnight, in response to a wave of New Year buying and hopes that the US budget wrangle would soon be resolved, ensured a strong opening for London.

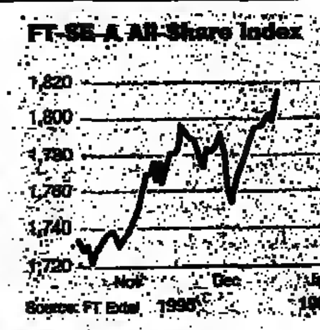
The market's concerns on Tuesday over the possibility that the Conservative Government might be forced into a premature general election this year began to fade into the background, as dealers focused instead on the potential positives of such an event. Some observers pointed out that an early general election would hasten the Government's interest cutting policies; "Rate cuts sooner than later have to be seen as good news for the market," said one trader.

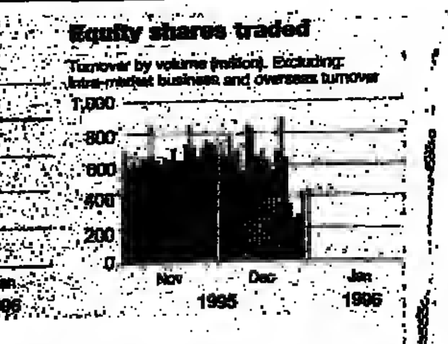
He conceded, however, that the political uncertainties in the UK could unsettle gilts, which would restrain enthusiasm for equities.

Footsie powered through the 3,700 level at the outset of trading and was always comfortably above that level throughout a busy session, which saw turnover at 6pm reach an impressive *734.9m shares*, well ahead of Tuesday's 450.9m. Dealers had expected trading this week to be restricted by low attendances.

Turnover was boosted by a large placing of National Grid stock, and some keen activity in banking and telecom shares.

At its best, shortly after Wall Street opened for business, the FT-SE 100 reached a peak of 3,719.8, before falling back on profit-taking.




### Indices and ratios

| | | |
|---|---|---|
| FT-SE 100 | 3715.6 | +27.7 |
| FT-SE Mid 250 | 4053.9 | +17.0 |
| FT-SE-A 350 | 1844.0 | +12.4 |
| FT-SE-A All-Share | 1815.96 | +12.18 |
| FT-SE-A All-Share yield | 3.75 | (3.78) |

| | | |
|---|---|---|
| FT Ordinary index | 2725.8 | +29.1 |
| FT-SE-A Non Fins p/e | 16.80 | (16.72) |
| FT-SE 100 Fut Mar | 3747.0 | +30.0 |
| 10 yr Gilt yield | 7.50 | (7.45) |
| Long gilt/equity yld ratio: | 2.10 | (2.06) |

### Best performing sectors

| | | |
|---|---|---|
| 1 | Life Assurance | +2.1 |
| 2 | Chemicals | +2.0 |
| 3 | Banks, Retail | +1.9 |
| 4 | Paper, Pkg & Print | +1.9 |
| 5 | Bldg. & Construction | +1.5 |

### Worst performing sectors

| | | |
|---|---|---|
| 1 | Water | -1.5 |
| 2 | Telecommunications | -0.7 |
| 3 | Extractive Inds. | -0.7 |
| 4 | Electronic & Elect | -0.7 |
| 5 | Utilities | -0.4 |

## Granada 'to raise Forte bid'

The late afternoon rumour mill settled on Granada Group as word went round the market that it was lining up an improved offer for its bid target Forte which may come as early as today.

Dealers suggested the overall takeover price would be improved by between 10 and 15 per cent, with the cash offer likely to be raised to between 360p and 370p a share against 328p a share, at yesterday's closing price in Granada.

The group's shares had moved strongly ahead early in the session as doubts about Granada's ability to win the bid battle emerged. However, the stock came off the top following the late afternoon rumours to close 7½ ahead at 649½p, in trade of 2.6m. A two-way pull in Forte left the shares unchanged at 343p, though heavy dealing brought volume to 9m by the close.

Forte's battle to escape the clutches of Granada exacted a heavy toll on Savoy "A". The shares lost more than 10 per cent of their value, as they fell 108 to 940p. Forte plans to distribute its 68 per cent equity holding to investors as part of its bid defence, a move seen as ending hopes of the holding being sold to a single buyer.

### Waters slushy

Water stocks damped down the broad market's rise as they fell on a combination of political and regulatory worries.

Dealers said the latest pressure from the regulator was combined with some bad press over the latest spate of burst water mains.

There are also concerns that a general election might be closer than previously forecast in the light of the most recent defection from the Conservative party. The selling was exacerbated by one marketmaker trying to unwind a surplus of stock and fund managers taking early asset allocation decisions.

ABN Amro Hoare Govett stressed its sell stance on Thames Water, off 5 at 548p, United Utilities, off 15 at 594p, Wessex, off a penny at 338p and South West, off 5 at 518p.

Takeover speculation in Royal Bank of Scotland ensured that the shares managed to avoid the impact of a downgrade from Morgan Stanley. The stock rose 6 to 588p.

Hong Kong-related stocks jumped in response to sharp gains in the Far Eastern market. HSBC, which has started to make markets in UK equities through its James Capel arm, lifted 18 to 1001p. Standard Chartered, long seen as a potential takeover candidate, improved 16 to 577p. And Cable & Wireless avoided the nervousness in the telecoms market to improve 2 to 462p.

*Other telecom stocks* were less fortunate. The nervousness surrounding the latest subscriber figures from Vodafone and Cellnet still overhung the market. Vodafone fell 5 to 221p. BT, the majority owner of Cellnet, dropped 2 to 350p.

Zeneca bucked a weak pharmaceuticals sector with a rise of 11 to 1263p, after it received US clearance to market its Arimidex treatment for advanced breast cancer in post-menopausal women.

Other drugs stocks were easier as BZW, the investment bank, put out a piece of research arguing that the sector was overvalued. Glaxo Wellcome fell 2 to 902p. The company was highlighted by Lehman Brothers because its anti-ulcer treatment drug Zantac is set to lose its spot as the world's top-selling drug to Astra's Losec. SmithKline Beecham dipped 1½ to 710½p.

Rexam, the hard hit paper and packaging group, rose 19 to 379p *on speculation* that recent weakness might attract a bid.

ICI moved up 22 to 797p after James Capel switched from a sell to a hold on the stock. The shares were also helped by big US buying.

National Grid was heavily traded with volume boosted by one company selling the last of tha shares it acquired after taking over one of the regional *electricity companies*.

Dealers believed that CSW was trying to place 20m shares of the stake acquired when the US company bought Seeboard. The Grid shares ended the day 1¼ up at 201p with 45m dealt.

### FINANCIAL TIMES EQUITY INDICES

| | Jan 3 | Jan 2 | Dec 29 | Dec 28 | Dec 27 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 2725.8 | 2696.7 | 2690.1 | 2678.7 | 2674.1 | 2347.3 | 2725.8 | 2238.3 |
| Ord. div. yield | 3.98 | 4.03 | 4.03 | 4.05 | 4.05 | 4.45 | 4.73 | 3.96 |
| P/E ratio net | 16.15 | 15.96 | 15.95 | 15.89 | 13.86 | 17.71 | 21.39 | 15.35 |
| P/E ratio nil | 15.95 | 15.76 | 15.75 | 15.69 | 15.66 | 17.15 | 22.21 | 15.17 |

*For 1995/96. Ordinary Share index since compilation: high 2725.8 3/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2714.2 | 2718.0 | 2719.7 | 2722.0 | 2718.2 | 2724.8 | 2724.2 | 2726.1 | 2725.9 | 2726.5 | 2714.2 |

| | Jan 3 | Jan 2 | Dec 29 | Dec 28 | Dec 27 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 31,788 | 27,915 | 11,086 | 18,094 | 16,430 | 16,902 |
| Equity turnover (£m)† | - | 1072.2 | 1297.5 | 840.0 | 780.5 | 1033.0 |
| Equity bargains† | - | 30,178 | 13,072 | 20,354 | 16,781 | 23,678 |
| Shares traded (m)† | - | 422.1 | 415.1 | 323.3 | 267.7 | 450.6 |

†Excluding intra-market business and overseas turnover.

■ London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 1,059 | Total Highs | 180 | Total contracts | 51,833 |
| Total Falls | 346 | Total Lows | 27 | Calls | 31,801 |
| Same | 1,445 | | | Puts | 20,032 |

Jan. 3 *Data based on Equity shares listed on the London Share Service.

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1995/96 High | Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | | |
| 133 | F.P. | 48.9 | 140 | 133 | Unicorn Intl | 140 | +2 | W4.5 | 2.2 | 4.9 | 11.7 |
| - | F.P. | 180.1 | 260 | 215 | Victrex | 260 | +7 | Ln3.6 | 2.4 | 1.7 | 30.4 |
| - | F.P. | 4.05 | 135 | 125 | †Viewlon | 135 | +5 | - | - | - | |
| - | F.P. | 47.9 | 68 | 55 | Warmington | 67 | | - | - | - | 31.5 |

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

### FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 3732.0 | 3747.0 | +30.0 | 3751.0 | 3728.0 | 11328 | 61514 |
| Jun | - | 3749.0 | +30.0 | - | - | 0 | 1116 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | - | 4070.0 | +15.0 | - | - | 0 | 3315 |

■ FT-SE 100 INDEX OPTION (LIFFE) (*3716) £10 per full index point

| | 3650 C | 3650 P | 3600 C | 3600 P | 3650 C | 3650 P | 3700 C | 3700 P | 3750 C | 3750 P | 3800 C | 3800 P | 3850 C | 3850 P | 3900 C | 3900 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan | 183½ | 2 | 136½ | 4½ | 88½ | 8 | 49½ | 19½ | 22 | 44 | 6½ | 84 | 1 | 134½ | 1 | 184 |
| Feb | 201½ | 6 | 157½ | 13½ | 116½ | 23½ | 81½ | 39 | 53 | 62½ | 31½ | 94½ | 17 | 135 | 8 | 184 |
| Mar | 219½ | 19½ | 173 | 29 | 135 | 41½ | 103½ | 59½ | 75 | 82 | 52½ | 110½ | 35 | 146 | 21 | 187 |
| Apr | 228 | 38 | 182½ | 49½ | 149½ | 66½ | 118½ | 84½ | 92 | 107½ | 68 | 133½ | 58 | 166½ | 34 | 201½ |
| Jun† | | | 215½ | 75 | | | 149½ | 107 | | | 99½ | 156 | | | 63 | 220½ |

Calls 6,669 Puts 6,736

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 3575 C | 3575 P | 3625 C | 3625 P | 3675 C | 3675 P | 3725 C | 3725 P | 3775 C | 3775 P | 3825 C | 3825 P | 3875 C | 3875 P | 3925 C | 3925 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan | 157½ | 2½ | 111½ | 8 | 69½ | 14 | 34 | 28 | 12½ | 58 | 3½ | 97 | 1 | 144 | 1 | 193½ |
| Feb | 179½ | 11 | 138½ | 17½ | 97½ | 28 | 64½ | 45 | 40 | 69½ | 22½ | 102 | 11 | 140 | 4½ | 183 |
| Mar | 192 | 22½ | 151½ | 31 | 118½ | 45½ | 86½ | 64½ | 61½ | 89½ | 42 | 119 | 27 | 153½ | 16 | 192 |
| Jun | | | 198 | 78½ | | | 138½ | 113 | | | 87½ | 161½ | | | 55½ | 226 |
| Sept | | | 245½ | 109 | | | 184½ | 143½ | | | 132½ | 187 | | | 90½ | 240½ |

Calls 12,605 Puts 2,282 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

### FT GOLD MINES INDEX

| | Jan 2 | % chg on day | Dec 29 | Year ago | Gross div yield % | P/E ratio | 52 week High | Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (34) | 1886.57 | +2.8 | 1913.46 | 1928.79 | 1.72 | - | 2088.86 | 1637.81 |
| ■ Regional Indices | | | | | | | | |
| Africa (16) | 2494.51 | -0.3 | 2502.20 | 3191.21 | 3.72 | 28.19 | 3191.21 | 2272.74 |
| Australasia (5) | 2357.77 | +0.3 | 2368.82 | 2454.46 | 2.08 | 37.54 | 2607.57 | 1788.20 |
| North America (13) | 1765.21 | +1.8 | 1684.27 | 1644.55 | 0.78 | 32.37 | 1831.00 | 1348.18 |

Copyright, The Financial Times Limited 1996. "FT Gold Mines Index" is a trademark of The Financial Times Limited. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

### TRADING VOLUME

■ Major Stocks Yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| [illegible] | | | |

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

### FT - SE Actuaries Share Indices — The UK Series

| | Jan 3 | Day's chge% | Jan 2 | Dec 29 | Dec 28 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3715.6 | [illegible] | | | | | | | | | |
| FT-SE Mid 250 | 4053.9 | [illegible] | | | | | | | | | |
| FT-SE Mid 250 ex Inv Trusts | [illegible] | | | | | | | | | | |
| FT-SE-A 350 | 1844.0 | [illegible] | | | | | | | | | |
| FT-SE-A 350 Higher Yield | [illegible] | | | | | | | | | | |
| FT-SE-A 350 Lower Yield | [illegible] | | | | | | | | | | |
| FT-SE SmallCap | [illegible] | | | | | | | | | | |
| FT-SE SmallCap ex Inv Trusts | [illegible] | | | | | | | | | | |
| FT-SE-A ALL-SHARE | 1815.96 | [illegible] | | | | | | | | | |

■ FT-SE Actuaries All-Share

| | Jan 3 | Day's chge% | Jan 2 | Dec 29 | Dec 28 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(25) to 69 NON-FINANCIALS(674) | [illegible] | | | | | | | | | | |
| 70 FINANCIALS(107) | 2914.06 | +1.7 | 2864.12 | 2856.41 | 2853.97 | 2127.12 | 3.88 | 2.33 | 13.84 | 0.02 | 1230.69 |
| 71 Banks, Retail(8) | 4116.32 | +1.9 | 4039.23 | 4036.29 | 4046.51 | 2824.57 | 3.64 | 2.60 | 13.20 | 0.00 | 1319.53 |
| 72 Banks, Merchant(6) | 3863.54 | +0.5 | 3843.93 | 3835.82 | 3596.56 | 2964.10 | 2.54 | 2.41 | 20.40 | 0.00 | 1148.49 |
| 73 Insurance(23) | 1446.02 | +1.4 | 1425.47 | 1428.82 | 1420.33 | 1145.28 | 5.06 | 2.69 | 9.17 | 0.00 | 1059.79 |
| 74 Life Assurance(6) | 3494.71 | +2.1 | 3423.91 | 3371.24 | 3350.05 | 2292.10 | 3.88 | 1.53 | 20.48 | 0.00 | 1423.75 |
| 77 Other Financial(23) | 2402.89 | +1.3 | 2373.07 | 2361.56 | 2355.18 | 1848.72 | 3.71 | 1.89 | 17.84 | 0.00 | 1347.27 |
| 78 Property(41) | 1458.16 | +1.4 | 1435.41 | 1425.64 | 1417.32 | 1392.91 | 4.27 | 1.32 | 22.14 | 0.12 | 883.25 |
| 80 INVESTMENT TRUSTS(128) | 3050.60 | +0.8 | 3022.37 | 3021.50 | 3012.48 | 2681.18 | 2.18 | 1.05 | 54.57 | 1.94 | 1057.05 |
| 89 FT-SE-A ALL-SHARE(909) | 1815.96 | +0.7 | 1803.78 | 1802.57 | 1796.68 | 1514.80 | 3.75 | 2.01 | 16.59 | 0.90 | 1510.22 |
| FT-SE-A Fledgling | 1112.45 | +0.3 | 1108.94 | 1106.41 | 1102.85 | 1001.48 | 3.05 | 2.26 | 18.14 | 0.38 | 1149.99 |
| FT-SE-A Fledgling ex Inv Trusts | 1114.46 | +0.2 | 1112.64 | 1109.89 | 1105.86 | 1002.08 | 3.35 | 2.46 | 15.18 | 0.45 | 1151.30 |

■ Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3709.5 | 3713.2 | 3718.1 | 3713.7 | 3708.7 | 3717.4 | 3717.3 | 3718.2 | 3716.0 | 3719.8 | 3708.2 |
| FT-SE Mid 250 | 4048.3 | 4049.4 | 4048.9 | 4052.0 | 4049.1 | 4049.2 | 4050.8 | 4053.4 | 4053.9 | 4054.3 | 4048.3 |
| FT-SE-A 350 | 1841.1 | 1842.7 | 1843.8 | 1843.1 | 1840.9 | 1844.3 | 1844.4 | 1845.0 | 1844.2 | 1845.8 | 1840.7 |

Time of FT-SE 100 Day's high: 2.53pm Day's low: 11.49am. FT-SE 100 1995/6 High: 3715.6 (3/1/96) Low: 2954.2 (23/1/95).

■ FT-SE Actuaries 350 Industry baskets

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bldg & Cnstrcn | 1059.3 | 1061.4 | 1063.2 | 1064.1 | 1064.2 | 1065.7 | 1067.7 | 1070.8 | 1071.6 | 1071.6 | 1055.3 | +16.3 |
| Pharmaceuticls | 5047.4 | 5043.6 | 5026.2 | 5012.7 | 5013.2 | 5037.5 | 5029.5 | 5032.2 | 5034.6 | 5032.7 | 5032.0 | +0.7 |
| Water | 2141.5 | 2121.0 | 2119.9 | 2117.9 | 2118.1 | 2117.2 | 2117.2 | 2117.2 | 2116.5 | 2115.4 | 2148.1 | -32.7 |
| Banks, Retail | 4126.8 | 4137.3 | 4145.0 | 4152.7 | 4144.2 | 4162.2 | 4162.4 | 4168.2 | 4166.1 | 4168.7 | 4090.7 | +78.0 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1996. © The Financial Times Limited 1996. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Molyneux Estates (Fledging). Due to technical problems the xd adj. & Total Return indices were incorrect on 2.1.96. For corrected figures please fax FT Statistics on 0171 873 3080.

# WORLD STOCK MARKETS

## EUROPE

### AUSTRIA (Jan 3 / Sch)

[illegible]

### BELGIUM/LUXEMBOURG (Jan 3 / Frs.)

[illegible]

### CZECH REP (Dec 15 / Korona)

[illegible]

### DENMARK (Jan 3 / Kr)

[illegible]

### FINLAND (Jan 3 / Mks)

[illegible]

### FRANCE (Jan 3 / Frs.)

[illegible]

### GERMANY (Jan 3 / Dm.)

[illegible]

### GREECE (Jan 3 / Drachma)

[illegible]

### ITALY (Jan 3 / Lira)

[illegible]

### NETHERLANDS (Jan 3 / Fls.)

[illegible]

### NORWAY (Jan 3 / Kroner)

[illegible]

### POLAND (Jan 3 / Zloty)

| | | +/- | High | Low | Yld | P/E |
|---|---|---|---|---|---|---|
| Elktrm | 0.50 | +.15 | 11 | 6.40 | 1.8 | ... |
| Exbud | 27.80 | +.90 | 32 | 10.65 | – | – |
| Mostl | 0.80 | ... | 0.80 | 5.35 | – | – |
| Wedel | 90 | +2 | 190 | 81.50 | 1.4 | ... |
| Wlcznk | 23 | +.80 | 33 | 19.90 | 1.3 | – |
| Zywiec | 170 | ... | 213 | 127.65 | 1.2 | – |

### PORTUGAL (Jan 3 / Escudo)

| | | +/- | High | Low | Yld | P/E |
|---|---|---|---|---|---|---|
| BCO Pt | 1,825 | +10 | 2,267 | 1,401 | 5.5 | ... |
| BCPort | 2,044 | +8 | 2,130 | 1,831 | 2.9 | – |
| BESact | 2,250 | –8 | 2,595 | 1,966 | 8.7 | – |
| BancTA | 2,511 | +13 | 3,274 | 2,312 | 8.0 | ... |
| ModCnt | 4,300 | +110 | 4,340 | 3,317 | 0.4 | ... |
| ModSpr | 5,300 | ... | 5,300 | 3,580 | 2.1 | – |
| PTelcm | 2,880 | +85 | 3,010 | 2,700 | ... | – |
| Sonlnv | 3,220 | +25 | 3,820 | 3,075 | 4.7 | – |
| Unicer | 2,460 | +10 | 2,600 | 1,991 | 3.5 | – |

### SPAIN (Jan 3 / Pts.)

[illegible]

### SWEDEN (Jan 3 / Kronor)

[illegible]

### SWITZERLAND (Jan 3 / Frs.)

[illegible]

### TURKEY (Jan 3 / TK Lira)

[illegible]



## PACIFIC

### JAPAN (Dec 29 / Yen)

[illegible]

### HONG KONG (Jan 3 / H.K.$)

[illegible]

### INDONESIA (Jan 3 / Rupiah)

[illegible]

### MALAYSIA (Jan 3 / MYR)

[illegible]

### NEW ZEALAND (Jan 3 / NZ $)

[illegible]

### SINGAPORE (Jan 3 / S$)

[illegible]

### AUSTRALIA (Jan 3 / Aust$)

[illegible]

### SOUTH KOREA (Jan 3 / Won)

[illegible]

### TAIWAN (Dec 30 / TW $)

[illegible]

### THAILAND (Jan 3 / Baht)

[illegible]

## AFRICA

### SOUTH AFRICA (Jan 3 / Rand)

[illegible]

## NORTH AMERICA

### CANADA

#### TORONTO (Jan 3 / Can $)

4 pm close

[illegible]

#### MONTREAL (Jan 3 / Can $)

4 pm close

[illegible]

## INDICES

| | Jan 3 | Jan 2 | Dec 29 | 1995/96 High | | Low | |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| **Indonesia** | | | | | | | |
| Jakarta Comp (10/8/82) | 519.84 | 512.48 | (c) | 519.84 | 3/1/96 | 414.21 | 19/4/95 |
| **Ireland** | | | | | | | |
| ISEQ Overall(4/1/88) | 2270.45 | 2234.51 | 2232.45 | 2270.45 | 3/1/96 | 1813.98 | 23/1/95 |
| **Italy** | | | | | | | |
| Banca Comm Ital(1972) | 601.64 | 594.93 | 589.60 | 680.54 | 10/2/95 | 547.79 | 5/12/95 |
| MIB General(4/1/96) | 1019.0 | 1009.0 | 931.0 | 1019.00 | 3/1/96 | 1000.00 | 2/1/96 |
| **Japan** | | | | | | | |
| Nikkei 225(16/5/49) | (c) | (c) | 19868.15 | 20011.80 | 27/12/95 | 14485.40 | 3/7/95 |
| Nikkei 300(1/10/82) | (c) | (c) | 296.33 | 297.84 | 27/12/95 | 222.26 | 13/6/95 |
| [illegible] | | | | | | | |
| **Turkey** | | | | | | | |
| Istanbul Comp (Jan 1986) | 38860.9 | 38779.3 | 40024.5 | 54853.90 | 21/4/95 | 24844.30 | 23/1/95 |
| **WORLD** | | | | | | | |
| MS Capital Intl(1/1/70) | 741.0* | 737.5 | 734.3 | 741.00 | 3/1/96 | 598.21 | 23/1/95 |
| **CROSS-BORDER** | | | | | | | |
| Eurotrack 100(26/10/90) | 3715.6 | 1508.81† | 1490.41 | 3715.60 | 3/1/96 | 1222.41 | 13/3/95 |
| Euro Top-100(26/6/90) | 1370.55 | 1355.35 | 1344.01 | 1370.55 | 3/1/96 | 1117.34 | 9/3/95 |
| JCapelOrgns(31/12/88) | (u) | 344.19 | 342.34 | 349.47 | 14/7/95 | 282.07 | 23/1/95 |
| ING Barings Emrg(7/1/92) | (u) | 147.35 | 147.56 | 159.07 | 2/1/95 | 117.15 | 10/3/95 |

## US INDICES

[illegible]

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| NYSE Comp. | 331.71 | 329.51 | 328.35 | 331.71 (2/1/96) | 250.73 (3/1/95) | 331.71 (2/1/96) | 4.40 (25/4/42) |
| Amex Mkt Val | 550.97 | 546.23 | 544.52 | 553.58 (12/9/95) | 433.12 (6/1/95) | 553.58 (12/9/95) | 29.31 (9/12/72) |
| NASDAQ Cmp | 1059.65 | 1052.13 | 1042.22 | 1069.79 (4/12/95) | 743.58 (3/1/95) | 1069.79 (4/12/95) | 54.87 (31/10/72) |

### ■ RATIOS

| | Dec 29 | Dec 22 | Dec 15 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.30 | 2.31 | 2.27 | 2.79 |
| | Dec 27 | Dec 20 | Dec 13 | Year ago |
| S & P Ind. Div. yield | 1.98 | 2.02 | 1.95 | 2.47 |
| S & P Ind. P/E ratio | 18.75 | 18.49 | 19.06 | 16.40 |

### ■ NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Silicon Grph | 11,017,300 | 22¾ | –4¾ |
| Xmgd | 5,692,300 | 7½ | +¼ |
| AT&T | 5,208,300 | 67¼ | +2¼ |
| Micron | 4,890,800 | 41¾ | +1¾ |
| WalMart | 3,894,800 | 23¾ | +⅜ |
| Texas Inst | 3,843,900 | 48¾ | –3⅛ |
| Telefonos | 3,702,900 | 24¾ | +2¾ |
| Toys R Us | 3,277,700 | 24 | +2¼ |
| Merck | 3,026,150 | 64½ | –1½ |
| Intl Paper | 2,895,900 | 39 | +1⅛ |

### ■ TRADING ACTIVITY

● Volume (million)

| | Jan 2 | Dec 29 | Dec 28 |
|---|---|---|---|
| New York SE | 364.151 | 31.643 | 288.471 |
| Amex | 15.284 | 319.706 | 18.231 |
| NASDAQ | 406.857 | 554.373 | 460.431 |
| **NYSE** | | | |
| Issues Traded | 3,104 | 3,108 | 3,094 |
| Rises | 1,579 | 1,553 | 1,251 |
| Falls | 911 | 831 | 1,080 |
| Unchanged | 614 | 724 | 763 |
| New Highs | 189 | 224 | 185 |
| New Lows | 10 | 21 | 30 |

## INDEX FUTURES

| | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| **■ CAC-40 (200 x Index)** | | | | | | | |
| Jan | 1931.0 | 1953.0 | +35.5 | 1953.0 | 1924.0 | 16,835 | 33,178 |
| Feb | 1939.0 | 1963.0 | +35.5 | 1952.5 | 1934.0 | 89 | 884 |
| **■ DAX** | | | | | | | |
| Mar | 2331.5 | 2343.0 | +17.0 | 2354.5 | 2326.0 | 20,487 | – |
| Jun | 2341.5 | 2356.0 | +20.0 | 2367.0 | 2341.5 | 2,729 | – |
| **■ OMX** | | | | | | | |
| Jan | 1385.00 | 1407.50 | +30.25 | 1409.00 | 1385.00 | 7,235 | 16,691 |
| Feb | 1403.00 | 1412.00 | +31.50 | 1412.00 | 1403.00 | 100 | 20 |
| **■ SOFFEX** | | | | | | | |
| Jan | 3344.0 | 3396.8 | +84.8 | 3396.8 | 3342.5 | 4,778 | 12,759 |
| Feb | 3359.0 | 3400.0 | +47.0 | 3364.0 | 3358.0 | 8 | 1,005 |

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| **■ S&P 500** | | | | | | | |
| Mar | 625.10 | 628.20 | +3.10 | 628.20 | 625.00 | 59,438 | 193,074 |
| Jun | 632.30 | 633.20 | +2.50 | 633.60 | 632.30 | 1,180 | 5,952 |
| **■ Nikkei 225** | | | | | | | |
| Mar | 19860.0 | 19860.0 | – | 19880.0 | 19860.0 | 7,620 | 137,074 |
| Jun | 19940.0 | 19880.0 | – | 19940.0 | 19880.0 | 19 | 18,190 |

Open interest figures for previous day.

[illegible] MIB Gen rebased at 1000 from 2/1/96. Base values of all indices are 100 except: Australia All Ord & Mng – 500; Austria Tr, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals 0 Mins and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Inds – 264.3; NYSE All Common – 50 and S & P – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 3 – 2328.15 +18.48. 1 Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's.) ¶ Subject to official recalculation.

## ■ TOKYO – MOST ACTIVE STOCKS: Friday, December 29, 1995

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Toshiba | 8.9m | 809 | +11 | Sanyo Elec | 3.1m | 595 | +20 |
| Nip Steel | 4.3m | 354 | +8 | Minolta Co | 3.0m | 603 | +8 |
| Mitsui Osk | 4.0m | 331 | +10 | Taiyo Toyo | 2.9m | 575 | –33 |
| Hanwa | 3.7m | 426 | –10 | Matsushita | 2.4m | 1690 | +50 |
| Sumitomo Hvy | 3.6m | 371 | +21 | Sakura Bank | 2.2m | 1310 | +30 |

*4 pm close January 3*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1995/96 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 22 | 12 1/8 | AAR | 0.48 | 2.3 | 25 | 176 | 21 7/8 | 21 | 21 | -3/4 |
| 48 1/4 | 35 | AMP | 0.92 | 2.3 | 28 | 5181 | 39 3/4 | 39 1/8 | 39 5/8 | +1/2 |
| 80 1/4 | 53 3/8 | AMR | | | 18 | 5848 | 77 1/4 | 75 3/4 | 76 7/8 | +1 3/4 |
| 47 7/8 | 30 5/8 | ASA | 1.71 | 4.3 | 28 | 1365 | 48 | 39 1/8 | 39 7/8 | +1 1/4 |
| 44 3/4 | 30 3/4 | AbbtL | 0.84 | 2.9 | 20 | 10528 | 42 1/4 | 41 3/4 | 42 | +1/4 |
| 18 7/8 | 12 | AbitibiPr | 0.40 | 2.6 | 6 | 2417 | 15 1/8 | 15 | 15 1/2 | +3/8 |
| 28 1/2 | 21 | ABM Ind | 0.70 | 2.5 | 15 | 112 | 28 | 28 | 28 | |
| 17 1/2 | 13 5/8 | Acptncein | | | 10 | 413 | 15 3/8 | 15 7/8 | 15 1/8 | +1/8 |
| 40 | 21 7/8 | ACE Ltd x | 0.56 | 1.4 | 0 | 917 | 39 3/4 | 38 7/8 | 39 1/2 | -1/4 |
| 9 7/8 | 8 1/8 | ACM Gvt In x | 0.48 | 5.1 | 8 | 257 | 9 3/8 | 9 1/8 | 9 3/8 | +1/8 |
| 7 3/4 | 6 1/2 | ACM GvOpp x | 0.66 | 8.8 | | 154 | 7 5/8 | 7 1/4 | 7 1/8 | |
| 7 1/2 | 5 3/4 | ACM Gvt Sp x | 0.75 | 11.3 | | 498 | 6 5/8 | 6 1/2 | 6 5/8 | |
| 6 3/4 | 7 1/4 | ACM Gvt Se x | 0.24 | 2.8 | | 418 | 9 1/8 | 8 3/8 | 8 1/2 | |
| 8 1/2 | 7 3/8 | ACM Man x | 0.80 | 10.0 | | 231 | 8 1/8 | 9 | 8 | -1/8 |
| 29 3/4 | 10 1/4 | AcmeClv | 0.48 | 2.5 | 34 | 163 | 19 1/4 | 19 | 19 1/8 | +1/8 |
| 38 1/4 | 7 7/8 | Acme Elect | | | 71 | 281 | 9 | 8 5/8 | 8 5/8 | -1/8 |
| 34 1/2 | 23 3/4 | Acordia | 0.72 | 2.4 | 18 | 21 | 29 5/8 | 29 5/8 | 29 3/8 | -1/4 |
| 16 3/4 | 10 3/8 | Acuson | | | 48 | 224 | 13 1/8 | 12 5/8 | 13 | +7/8 |
| 19 5/8 | 15 5/8 | Adams Expr | 0.48 | 2.6 | 0 | 220 | 18 3/4 | 18 5/8 | 18 3/4 | |
| 38 7/8 | 2 7/8 | AdvMic | | | 5 | 5743 | 17 7/8 | 16 7/8 | 17 1/4 | -1/8 |
| 9 3/4 | 3 | Advest Grp | 0.18 | 1.8 | 12 | 32 | 8 | 8 3/4 | 9 | +1/4 |
| 27 1/2 | 16 1/2 | Advo Inc x | 0.10 | 0.4 | 19 | 412 | 26 1/8 | 25 3/4 | 25 7/8 | -7/8 |
| 44 3/4 | 24.80 | Aegon | 1.20 | 2.7 | 17 | 71 | u46 3/4 | 46 3/8 | 46 3/4 | +1/8 |
| 5 7/8 | 3 5/8 | Aerflx | | | 7 | 84 | 4 1/8 | 4 | 4 1/2 | |
| 79 3/4 | 40 3/4 | AetnaL | 2.76 | 3.9 | 32 | 8440 | 69 7/8 | 69 1/4 | 69 7/8 | +1/4 |
| 44 3/4 | 31 7/8 | Aflac | 0.52 | 1.1 | 13 | 1883 | u46 | 44 7/8 | 45 7/8 | +1 1/2 |
| 28 1/8 | 16 | Ahmson | 0.88 | 3.3 | 0 | 817 | 26 5/8 | 26 3/8 | 26 1/2 | -1/8 |
| 59 1/2 | 43 7/8 | AirPrC x | 1.04 | 1.9 | 18 | 2612 | 54 3/4 | 50 7/8 | 54 1/2 | +3/4 |



Continued on next page

4 pm close January 3

# NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

| 1995/96 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng. Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 52½ | 41⅝ | Xtra Corp | 0.64 | 1.5 | 12 | 21 | 42⅝ | 42⅜ | 42½ | -⅛ |
| 25½ | 19½ | Yankee Egy | 1.26 | 4.9 | 21 | 89 | u25⅝ | 25⅜ | 25½ | |
| 48½ | 34⅛ | York Int | 0.24 | 0.5 | 17 | 863 | 48¼ | 46¾ | 47¾ | +1 |
| 4½ | 2½ | Zapata | 0.14 | 4.1 | 24 | 18 | 3⅜ | 3⅜ | 3⅜ | +⅛ |
| 12¼ | 8⅝ | ZenithEl | | | 4 | 1275 | 6⅞ | d6⅝ | 6⅝ | -¼ |
| 24⅝ | 19⅝ | Zenith Nat | 1.00 | 4.8 | 31 | 37 | 21¾ | 21½ | 21¾ | |
| 6⅞ | 6¼ | Zenix Inc | 0.72 | 10.9 | | 86 | 6¾ | 6⅝ | 6⅝ | |
| 17⅞ | 12⅝ | Zero | 0.44 | 2.7 | 18 | 114 | 17¼ | 16⅝ | 16⅜ | -⅞ |
| 26 | 16⅞ | Zurn Ind | 0.40 | 1.9 | 18 | 182 | 21¼ | 21 | 21¼ | |
| 11½ | 10¼ | Zweig Fund | 1.12 | 10.0 | | 317 | 11¼ | 11⅛ | 11¼ | +⅛ |
| 9 | 7⅞ | Zweig Tot | 0.84 | 9.7 | | 606 | 8⅝ | 8½ | 8⅝ | |

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995.
Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
4 Dealings suspended.

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# AMEX COMPOSITE PRICES

4 pm close January 3

# NASDAQ NATIONAL MARKET

4 pm close January 3

AMERICA

# Dow through 5,200, tech stocks retreat

## Wall Street

US share prices were mixed in midday trading yesterday as technology stocks in the Nasdaq composite gave back some of Tuesday's gains while the Standard and Poor's 500 took aim at a new record high close, *writes Lisa Bransten in New York.*

At 1 pm the S & P was 1.83 ahead at 622.56, higher than the all-time closing high of 621.19 set on December 13. The Dow Jones Industrial Average was 24.93 stronger at 5,202.38, breaking through the 5,200-point level for the first time since the Dow's high of 5,216.47, also on December 13. The American Stock Exchange composite climbed 0.58 at 551.80. NYSE volume was 276m shares.

Shares derived some support from bonds, which rose modestly on hopes that the White House and the Congress were moving closer to an agreement on a plan to balance the federal budget by 2002. President Bill Clinton was scheduled to meet Congressional leaders at 1:30 pm for another round of negotiations.

Technology shares were mostly weaker as semiconductor companies continued to skid from the highs reached in the early autumn. The Nasdaq composite fell 7.09 to 1,051.56 and the Pacific Stock Exchange index of technology companies shed more than 1 per cent.

Falling semiconductor shares included Applied Materials, off $3¼ or 8 per cent at $36¾, Lam Research, which shed $4¼ at $41¼, and Novellus Systems, $3¼ lower at $48⅝. By the early afternoon, Applied Materials was the most actively traded share on the Nasdaq market. On the NYSE, Micron Technology shed $1½ at $39⅞ and LSI Logic was $1¾ down at $31⅞.

Elsewhere, Johnson & Johnson added $3½ or 4 per cent at $87¾ on news that the Food and Drug Administration had agreed to allow the company to market its Renova cream as a prescription wrinkle-fighting treatment.

Westinghouse Electric added $1 or 6 per cent to $18¾ after announcing that Northrop Grumman had agreed to buy its defence and electronic systems businesses for $3bn in cash. Northrop Grumman shares fell $2 or 3 per cent at $62⅞.

## Canada

Toronto continued to drive ahead in midday trade after Tuesday's record close.

The TSE-300 composite index was 39.78 higher by noon at 4,807.60; volume picked up to 40.2m shares.

The uplift was supported by gold shares, responding to a sharply higher bullion price. Franco-Nevada Mining rose C$1 to C$81 while, among the most actively traded stocks, TVX Gold was C$¼ higher at C$10¼.

Biovail International shares continued to rally after shareholders' approval, on Tuesday, of plans for a three-for-one stock split.

Shares in Biovail rose C$6¼ to C$119.

## SOUTH AFRICA

Johannesburg climbed to an all-time record close on strong fundamentals in industrials, firmer world markets and a surge in golds after a $6 rise in the bullion price. The overall index jumped 156.8 or 2.5 per cent to 6,407.5, industrials put on 186.7 to 8,195.6 and golds rose 103.7 to 1,450.4.

# Latin America in strong rally

Mexico's stock market broke through the 3,000-point level for the first time in its history during the morning, before profit-taking brought it back. By midsession the IPC index was up 66.02 or 2.2 per cent at 2,995.45. Investors were generally encouraged by the fall in domestic interest rates.

BUENOS AIRES soared 4.4 per cent at the opening as international investors turned heavy buyers of stock. The Merval index continued to make gains as the session progressed, and by midsession was up 27.77 or 5.1 per cent at 568.49.

Among the top gainers were Telefonica de Argentina, up 8.1 per cent, Transportadora Gas del Sur, a gas distributor, up 6.8 per cent and YPF, the oil group, up 6.7 per cent.

SAO PAULO was not left out of the region's advance. At the opening the Bovespa index jumped 5 per cent with Telebras, the telecom group, spearheading the rise.

The index remained strong by midsession when the rise measured 2,672.50 or 6.5 per cent to 46,773. Analysts said that investors were hoping for a fall in interest rates.

Telebras preferred shares surged 5.9 per cent to R$51.10.

### EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

| Market | No. of stocks | Dollar terms Dec. 29 1995 | % Change over week | % Change on Dec '94 | Local currency terms Dec. 29 1995 | % Change over week | % Change on Dec '94 |
|---|---|---|---|---|---|---|---|
| Latin America | (251) | 471.70 | -1.5 | -18.7 | | | |
| Argentina | (30) | 800.94 | -0.6 | +9.1 | 491,412.73 | -0.6 | +8.0 |
| Brazil | (71) | 305.20 | -1.0 | -20.6 | 1,110.30 | -0.7 | -8.9 |
| Chile | (36) | 748.49 | -1.5 | -4.8 | 1,219.69 | -1.5 | -3.3 |
| Colombia[1] | (16) | 598.06 | +0.6 | -26.3 | 1,049.45 | +1.3 | -12.2 |
| Mexico | (67) | 453.19 | -2.9 | -25.5 | 1,505.70 | -0.7 | +16.6 |
| Peru[2] | (19) | 197.23 | -0.4 | +10.8 | 277.74 | -0.2 | +18.9 |
| Venezuela[3] | (12) | 334.36 | -0.5 | -32.4 | 2,610.17 | +2.4 | +35.0 |
| Asia | (677) | 232.18 | -0.0 | -6.9 | | | |
| China[4] | (20) | 54.10 | +1.2 | -28.7 | 56.83 | +1.2 | -29.8 |
| South Korea[5] | (159) | 125.93 | -1.3 | -7.9 | 129.41 | -0.9 | -9.4 |
| Philippines | (25) | 259.55 | +2.1 | -12.8 | 326.88 | +2.0 | -8.4 |
| Taiwan, China[6] | (93) | 112.77 | +1.2 | -31.4 | 115.54 | +1.2 | -28.8 |
| India[7] | (101) | 80.36 | -0.5 | -34.9 | 100.37 | +0.0 | -27.1 |
| Indonesia[8] | (42) | 109.68 | -1.6 | +9.5 | 136.26 | -1.7 | +14.4 |
| Malaysia | (114) | 271.16 | +0.0 | -0.9 | 254.10 | +0.0 | +3.3 |
| Pakistan[9] | (36) | 242.64 | +2.4 | -33.7 | 377.01 | +2.4 | -26.3 |
| Sri Lanka[10] | (19) | 104.07 | +0.9 | -38.5 | 120.89 | +0.9 | -34.8 |
| Thailand | (68) | 375.63 | -0.8 | -2.0 | 375.92 | -0.7 | -1.7 |
| Euro/Mid East | (208) | 141.63 | -1.3 | +19.5 | | | |
| Greece | (40) | 241.55 | +2.1 | +7.0 | 387.02 | +1.4 | +5.3 |
| Hungary[11] | (5) | 98.42 | +0.3 | -35.1 | 181.61 | +0.3 | -21.7 |
| Jordan | (8) | 184.68 | -0.2 | +23.1 | 273.63 | -0.2 | +24.0 |
| Poland[12] | (16) | 426.35 | -0.7 | -9.2 | 862.07 | -1.0 | -8.1 |
| Portugal | (26) | 115.76 | +1.7 | -4.4 | 118.67 | +0.6 | -10.3 |
| South Africa[13] | (64) | 258.05 | -0.7 | +14.8 | 194.25 | -1.2 | +2.7 |
| Turkey[14] | (44) | 104.48 | -11.1 | -14.2 | 2,989.15 | -5.4 | +35.1 |
| Zimbabwe[15] | (5) | 274.67 | +0.7 | +12.3 | 377.05 | +0.7 | +25.1 |
| Composite | (1136) | 275.79 | -0.9 | -10.3 | | | |

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: [illegible]

**Overseas institutions purchased a record amount of South African stocks and bonds in 1995, worth R6.68bn ($1.84bn), Reuters reports from Johannesburg. The stock exchange said yesterday that foreign investors had bought R4.81bn worth of shares and R1.87bn worth of bonds, compared with a respective R185m and R1.10bn in 1994.**

**Mr Roy Andersen, president of the exchange, said that foreign turnover now accounted for 51 per cent of the total. Until 1993 South Africa experienced large capital outflows, but this started to reverse following the election of President Nelson Mandela, while foreign inflows accelerated on the abolition of the two-tier currency system last year. Most analysts are confident that foreign interest will continue this year, and many argue that the country should benefit from a worldwide trend back to high-yielding emerging markets.**

**Analysts expect a current account deficit of between R11bn to R12bn in 1995, climbing further this year, and reflecting increased imports fuelled by higher fixed investment by industry and increased private consumption expenditure. The shortfall in 1994 was R2.1bn.**

**Mr Chris Stals, governor of the reserve bank, remains sanguine about the current account deficit, saying that it remains modest by international standards, at under 3 per cent of GDP. "It is possible that the current account deficit will increase further, but the net capital inflows should also continue," he said recently.**

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | TUESDAY JANUARY 2 1996 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | MONDAY JANUARY 1 1996 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (81) | 191.93 | 1.0 | 182.77 | 126.13 | 143.16 | 171.70 | 1.1 | 3.89 | 190.03 | 181.47 | 123.91 | 141.41 | 169.91 | 191.93 | 157.95 | 171.64 |
| Austria (26) | 176.71 | 1.2 | 168.28 | 116.13 | 131.81 | 131.70 | 1.5 | 1.58 | 174.53 | 166.67 | 113.81 | 129.87 | 129.79 | 199.28 | 167.48 | 182.74 |
| Belgium (34) | 210.47 | 0.6 | 200.42 | 138.32 | 156.99 | 153.09 | 0.3 | 3.42 | 209.14 | 199.72 | 136.37 | 155.63 | 151.79 | 210.47 | 166.52 | 187.90 |
| Brazil (28) | 140.34 | 1.8 | 133.64 | 92.23 | 104.68 | 251.14 | 1.8 | 1.75 | 137.93 | 131.71 | 89.94 | 102.64 | 246.78 | 161.51 | 86.06 | 161.51 |
| Canada (101) | 150.93 | 1.7 | 143.72 | 99.19 | 112.57 | 148.47 | 1.3 | 2.51 | 148.44 | 141.75 | 96.79 | 110.45 | 146.60 | 150.93 | 121.81 | 129.39 |
| Denmark (33) | 290.97 | 0.8 | 277.08 | 191.22 | 217.03 | 218.81 | 1.0 | 1.49 | 288.77 | 275.76 | 188.29 | 214.88 | 217.66 | 295.99 | 246.18 | 252.02 |
| Finland (25) | 191.84 | 2.5 | 182.69 | 126.08 | 143.09 | 174.55 | 2.4 | 1.80 | 187.07 | 178.64 | 121.98 | 139.20 | 170.48 | 276.11 | 171.13 | 189.41 |
| France (100) | 182.07 | 1.5 | 173.37 | 119.65 | 135.80 | 139.87 | 1.6 | 3.12 | 179.41 | 171.32 | 116.99 | 133.50 | 137.63 | 191.17 | 157.79 | 163.56 |
| Germany (60) | 164.82 | 0.7 | 156.96 | 108.32 | 122.94 | 122.94 | 0.9 | 1.85 | 163.69 | 156.32 | 106.74 | 121.81 | 121.81 | 167.74 | 139.11 | 141.68 |
| Hong Kong (59) | 392.39 | 1.2 | 373.66 | 257.87 | 292.68 | 389.60 | 1.2 | 3.68 | 387.70 | 370.23 | 252.60 | 288.50 | 384.87 | 392.39 | 277.40 | 326.14 |
| Ireland (16) | 256.72 | 0.5 | 244.46 | 168.71 | 191.49 | 225.14 | 0.2 | 3.41 | 255.51 | 244.00 | 166.61 | 190.14 | 224.62 | 280.67 | 204.97 | 205.23 |
| Italy (59) | 75.39 | 2.3 | 71.79 | 49.55 | 56.23 | 88.32 | 1.1 | 1.65 | 73.70 | 70.39 | 48.06 | 54.85 | 87.33 | 82.71 | 65.45 | 74.96 |
| Japan (482) | 153.72 | -0.8 | 146.38 | 101.02 | 114.66 | 101.02 | 0.0 | 0.76 | 164.93 | 147.96 | 101.02 | 115.29 | 101.02 | 164.82 | 136.95 | 156.94 |
| Malaysia (108) | 482.71 | -0.5 | 459.67 | 317.23 | 360.05 | 472.43 | -0.4 | 1.75 | 485.13 | 463.27 | 316.34 | 361.00 | 474.39 | 581.95 | 396.16 | 479.37 |
| Mexico (18) | 1093.56 | 5.8 | 1041.35 | 718.66 | 815.66 | 9206.44 | 5.5 | 1.51 | 1035.78 | 989.10 | 675.39 | 770.74 | 8725.66 | 1406.10 | 647.81 | 1406.10 |
| Netherland (19) | 276.74 | 1.5 | 263.53 | 181.87 | 206.42 | 202.89 | 1.7 | 3.22 | 272.72 | 260.43 | 177.83 | 202.94 | 199.54 | 278.74 | 214.98 | 217.58 |
| New Zealand (14) | 79.59 | -0.1 | 75.79 | 52.31 | 59.37 | 64.69 | 0.0 | 4.49 | 79.66 | 79.07 | 51.94 | 59.27 | 64.69 | 86.49 | 69.74 | 70.45 |
| Norway (33) | 234.55 | 1.4 | 223.35 | 154.14 | 174.94 | 201.59 | 1.8 | 2.68 | 231.28 | 220.86 | 150.81 | 172.10 | 198.34 | 243.79 | 202.76 | 214.65 |
| Singapore (44) | 407.42 | 0.1 | 387.98 | 267.75 | 303.90 | 265.73 | 0.1 | 1.52 | 407.22 | 388.87 | 265.53 | 303.03 | 265.44 | 414.28 | 313.84 | 373.04 |
| South Africa (45) | 387.07 | 0.5 | 368.60 | 254.37 | 288.71 | 308.15 | 0.4 | 3.84 | 385.33 | 367.96 | 251.25 | 286.73 | 307.00 | 392.04 | 281.06 | 336.71 |
| Spain (38) | 167.69 | 1.5 | 159.69 | 110.20 | 125.08 | 154.10 | 1.5 | 3.89 | 165.19 | 157.79 | 107.71 | 122.92 | 151.80 | 167.69 | 124.19 | 132.25 |
| Sweden (47) | 317.30 | 1.7 | 302.16 | 208.53 | 236.68 | 310.99 | 1.6 | 1.93 | 312.09 | 298.03 | 203.50 | 232.24 | 306.20 | 321.99 | 232.23 | 233.30 |
| Switzerland (40) | 234.72 | -0.5 | 223.52 | 154.25 | 175.07 | 168.35 | -0.0 | 1.58 | 235.99 | 225.35 | 153.88 | 175.60 | 168.35 | 235.99 | 162.35 | 165.19 |
| Thailand (46) | 168.23 | 0.0 | 160.20 | 110.56 | 125.48 | 184.51 | 0.0 | 2.48 | 168.26 | 160.68 | 109.72 | 125.21 | 184.51 | 184.55 | 130.15 | 158.16 |
| United Kingdom (206) | 231.28 | 0.3 | 220.24 | 151.99 | 172.51 | 220.24 | 0.0 | 4.31 | 230.54 | 220.15 | 150.33 | 171.55 | 220.15 | 231.28 | 191.53 | 194.63 |
| USA (639) | 253.02 | 0.7 | 240.94 | 166.28 | 188.72 | 253.02 | 0.7 | 2.23 | 251.25 | 239.93 | 163.83 | 186.96 | 251.26 | 253.50 | 187.79 | 187.75 |
| Americas (786) | 230.78 | 0.8 | 219.76 | 151.66 | 172.13 | 193.95 | 0.8 | 2.23 | 228.99 | 218.67 | 149.31 | 170.39 | 192.47 | 230.78 | 173.81 | 174.16 |
| Europe (736) | 202.39 | 0.8 | 192.72 | 133.00 | 150.96 | 171.14 | 0.7 | 3.07 | 200.87 | 191.82 | 130.98 | 149.47 | 169.90 | 202.39 | 167.08 | 166.80 |
| Nordic (138) | 280.21 | 1.6 | 266.83 | 184.15 | 209.00 | 237.43 | 1.6 | 1.86 | 275.80 | 263.37 | 179.84 | 205.23 | 233.74 | 295.02 | 222.22 | 226.52 |
| Pacific Basin (834) | 164.36 | -0.5 | 156.51 | 108.01 | 122.59 | 111.50 | 0.1 | 1.19 | 165.23 | 157.79 | 107.74 | 122.95 | 111.37 | 171.87 | 145.93 | 164.30 |
| Euro-Pacific (1570) | 180.10 | 0.1 | 171.50 | 118.36 | 134.33 | 134.18 | 0.4 | 2.07 | 179.97 | 171.86 | 117.35 | 133.92 | 133.62 | 180.68 | 154.73 | 166.08 |
| North America (740) | 246.70 | 0.7 | 234.93 | 162.13 | 184.01 | 246.01 | 0.7 | 2.24 | 244.69 | 233.86 | 159.68 | 182.23 | 244.24 | 246.93 | 184.12 | 184.14 |
| Europe Ex. UK (530) | 182.24 | 1.0 | 173.54 | 119.76 | 135.93 | 144.13 | 1.1 | 2.42 | 180.44 | 172.31 | 117.66 | 134.27 | 142.54 | 182.24 | 149.53 | 151.13 |
| Pacific Ex. Japan (352) | 266.22 | 0.8 | 253.51 | 174.95 | 198.57 | 234.70 | 0.7 | 3.14 | 264.58 | 252.66 | 172.52 | 196.88 | 233.15 | 266.72 | 211.19 | 238.23 |
| World Ex. US (1762) | 181.17 | 0.2 | 172.52 | 119.06 | 135.13 | 137.98 | 0.5 | 2.11 | 180.89 | 172.73 | 117.95 | 134.60 | 137.35 | 181.59 | 155.42 | 167.22 |
| World Ex. UK (2195) | 200.35 | 0.4 | 190.79 | 131.67 | 149.44 | 166.25 | 0.6 | 1.95 | 199.57 | 190.57 | 130.13 | 148.50 | 165.23 | 200.35 | 163.45 | 170.89 |
| World Ex. Japan (1919) | 230.83 | 0.8 | 218.81 | 151.88 | 172.17 | 215.71 | 0.7 | 2.60 | 229.10 | 218.77 | 149.38 | 170.47 | 214.12 | 230.83 | 181.60 | 183.54 |
| The World Index (2401) | 203.07 | 0.4 | 193.38 | 133.45 | 151.47 | 171.07 | 0.6 | 2.18 | 202.29 | 193.17 | 131.90 | 150.53 | 170.12 | 203.07 | 165.92 | 173.01 |


CONSTITUENT CHANGES WITH EFFECT 4/1/96: Merger: Kansallis & Unitas to form Merita (Finland). Deletion: First Fidelity (USA). Name Change: North West Water to United Utilities (UK), Western Mining to WMC Ltd (Australia) (3.1.96). Markets closed: Japan. Latest prices were unavailable for this edition.

EUROPE

# Data ignored as several bourses peak

Wall Street, D-Mark weakness and New Year buying took several bourses to all time highs, *writes Our Markets Staff.* Traders seemed willing to ignore bad macroeconomic news, including disappointing German industrial output and engineering orders, and poor car registration figures from France and Belgium.

With bond yields trending down and very few corporate results on the calendar, Mr François Langlade-Demoyen, European strategist at CS First Boston, saw the uncomfortable prospect of bourses hitting their 1996 targets in the first two months of this year.

ZURICH marched 2.6 per cent higher, registering another all time high. The SMI index climbed 86.8 to 3,384.5, as the market also caught up with the positive trend elsewhere in Europe and the US last Friday and on Tuesday, when Zurich was closed for an extended New Year holiday.

Pharmaceuticals were in the spotlight. Roche certificates climbed SFr200 to SFr9,325 while the registered shares of Sandoz and Ciba each picked up SFr34, or more than 3 per cent to SFr1,090 and SFr1,049 respectively. Financials also put in a strong performance, Zurich Insurance rising SFr15 to SFr360.

FRANKFURT registered a Dax closing high of 2,329.22 on the session and peaked at 2,335.53 after hours before closing 18.48 higher at 2,326.18.

Turnover more than doubled, from DM4.9bn to DM11bn, with Daimler and Siemens trading in DM1.22bn, and DM1.11bn respectively. The day's share price winners mixed recovery prospects – Deutsche Babcock, Kaufhof, Thyssen – with stocks at or near new 1995/96 highs, including Bayer, BASF, Volkswagen and Munich Re, VW putting on DM7.15 at DM492.50 after its Czech subsidiary, Skoda, announced a 20 per cent rise in 1995 car output.

AMSTERDAM touched 500 briefly during the session before the AEX index closed the day with a rise of 4.17 to 499.41.

Good turnover supported the rise in prices and there was strong interest from overseas institutions, particularly the US, said brokers, adding that investors seemed to be buying the market, rather than individual issues.

Analysts expected financials to outperform the AEX index this year, although they did not anticipate the gains that were seen during 1995. Last year the financial sector was the strongest performer, with a return of 40 per cent in local currency terms against an AEX gain of 17.1 per cent.

Strong performances were seen from Philips, up Fl 2.10 at Fl 61.50. Unilever with a rise of Fl 2.70 at Fl 231.50 and Royal Dutch up Fl 2.00 at Fl 227.80.

Heineken made Fl 3.10 to Fl 293.90 as dealers said that the stock was undervalued.

PARIS was a strong market but turnover remained below average. The CAC-40 index rose 34.58 or 1.8 per cent to 1,942.96 in turnover of under FFr4bn.

The franc hit an 18-month high against the D-Mark as investors switched into other European currencies and the US dollar. Cyclicals were popular: Schneider, the electrical engineering group, saw a rise of FFr9.60 or 5.5 per cent to FFr177.8, and Saint-Gobain, the glass maker, added FFr29 or 4.8 per cent to FFr581.

BRUSSELS continued its record breaking run, the Bel-20 index setting a new closing high up 24.74 or 1.6 per cent at 1,600.68. The intra-session high was 1,605.86 as turnover reached BFr4.5bn.

One of the most active issues was Electrabel, the energy utility, which advanced BFr120 to BFr7,250 in turnover of BFr445m. In chemicals Solvay rose BFr225 to BFr16,375.

MILAN was unable to hold on to its best levels of the day after news that the centre-right coalition had muddied the political waters once again by pressing for the resignation of the prime minister, Mr Lamberto Dini. The Comit index added 6.11 to 601.04, regaining the 600 point level for the first time since mid-October, while the real-time Mibtel index turned back from a high of 9,621 to finish 23 ahead at 9,553.

Telecommunications issues, traditionally favourites with foreigners, continued to find buyers. Tim rose L41 to L2,841 and Stet was L73 higher at L4,624. Ferruzzi gave up L14 to L1,080 with investors unwilling to commit fresh funds until details of Mediobanca's pct bid were known.

MADRID broke briefly through the 330 barrier before the general index subsided to end 2.98 higher at a new all time high of 328.01, propelled by the strength of bonds, and the peseta. DUBLIN held more of its gains, the ISEQ overall index closing 35.84 higher at a new peak of 2,270.45.

OSLO was at an all time high, fuelled by a strong performance by shipping and industrial shares, the latter led by the oil-heavy Norsk Hydro. The Total index rose 14.67 to 757.90 as Hydro picked up NKr6.50 to NKr278.50.

STOCKHOLM found strong demand for the forestry sector, in spite of news that Weyerhaeuser in the US had cut pulp prices. The Affärsvärlden index rose 25.8 to 1,785.0

HELSINKI's new year rally gathered pace with the Hex index rising 42.60 to 1,794.78 in volume that picked up to FM437m, almost half of it in Nokia. Shares in the telecommunications group rose FM6.50 to FM181.50.

COPENHAGEN saw keen demand from domestic and foreign buyers which pushed the KFX top-20 index up 1.94 to 109.15. Tele Danmark, part of a consortium bidding for Polish mobile telephone licences, picked up DKr5 to DKr312.

**FT-SE Actuaries Share Indices**

| Jan 3 Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1526.32 | 1527.44 | 1528.65 | 1528.93 | 1529.86 | 1531.26 | 1534.57 | 1534.22 |
| FT-SE Eurotrack 200 | 1628.49 | 1626.15 | 1627.95 | 1628.90 | 1628.35 | 1628.12 | 1630.36 | 1630.09 |

THE EUROPEAN SERIES

| | Jan 2 | Dec 29 | Dec 28 | Dec 27 | Dec 22 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1508.80 | 1490.41 | 1492.17 | 1490.10 | 1479.19 |
| FT-SE Eurotrack 200 | 1610.58 | 1600.63 | 1597.68 | 1602.68 | 1587.34 |

Base 1000 (26/10/90); Highday: 100 - 1535.14; 200 - 1630.98 Lowday: 100 - 1526.32 200 - 1626.34 † Partial

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

# Region propelled by surge on Wall Street

Wall Street's overnight surge propelled regional markets higher in the continuing absence of Tokyo and with Taipei also closed for a public holiday.

HONG KONG jumped 1.9 per cent to a 22-month closing high, with brokers pointing to a renewed funds inflow at the start of the year pushing most major issues higher.

The Hang Seng index rose 192.57 to 10,398.44 in turnover that shot up to HK$5.6bn from Tuesday's HK$3.5bn.

Recent market leaders again stood out. Cheung Kong soared HK$1.30 to HK$49.50 and its affiliate, Hutchison, leapt HK$1.50 to HK$49.70 after it announced that it was buying back a 25 per cent stake in its telepaging operations from Motorola.

SYDNEY's enthusiasm took turnover back to pre-Christmas levels as the All Ordinaries index rose 31.7 to 2258.1.

Traders reported share price rises across the board as total volume hit 205.8m shares valued at A$517.35m.

Industrials to feature included the property developer Lend Lease, which reached record highs with a gain of 38 cents to A$20.11 on scarcity value; and Biota Holdings, up 28 cents, or 14 per cent to A$2.28 on expectations of an influenza vaccine announcement.

SINGAPORE saw renewed local and foreign demand for industrials, banks and property stocks which pushed the market 2.1 per cent up to its best level since November 1994.

The Straits Times Industrials index rose 48.14 to 2,306.21, as investors were also encouraged by the prime minister's new year message that the Singapore economy grew by 8.9 per cent in 1995 against earlier government forecast of between 8 and 8.5 per cent.

KUALA LUMPUR was pushed 2.7 per cent higher on buying of index-linked stocks by foreign funds and the composite index rose 26.93 to 1,020.11 in volume that swelled to 289.6m shares from Tuesday's 137.9m.

BANGKOK leapt 3.3 per cent, also backing the theory that the Bank of Thailand may cut interest rates. Banking, finance, energy and communication stocks were in demand as the foreign investors returned to the market, and the SET index ended 42.62 higher at 1,322.43 in brisk turnover of Bt12.2bn.

This was the market's biggest rise since May of last year. Brokers said that the finance sector is expected to grow at about 30 per cent in 1996 as funds flow in for investment in the region.

MANILA, too, noted renewed foreign interest on hopes of an economic pick-up as the composite index jumped 52.77 or 2.05 per cent to 2,631.74 in 1.94bn shares worth 1.77bn pesos.

JAKARTA's late, foreign-triggered buying came mostly in Telkom and some banking issues as the JKSE composite index rose 7.36, or 1.4 per cent to close 519.84.

Telkom led active stocks, trading in 5.8m shares as it rose Rp25 to Rp3,000.

SEOUL revised its index calculations to take account of dividend payments, and the composite picked up 1.9 per cent, rising 16.45 to 888.97 and led by gains in telecommunications and domestically oriented stocks.

Volume was thin at 9.5m shares. Dacom gained Won8,000 to Won142,000, LG Information rose Won4,200 to Won75,200 and Korea Mobile Telecom added Won34,000 to Won617,000.

WELLINGTON opened 1996 with a 2.5 per cent gain, the NZSE-40 index closing 53.04 ahead at 2,202.86, less than 25 points away from a 22-month high. Brokers said that the rise was bond-market driven, with increased attention in the afternoon from offshore investors attracted by the yields offered by New Zealand equities.

SHANGHAI and SHENZHEN's hard currency B shares were higher after China set out its first set of national securities rules governing the issues, which brokers said would help to regulate the B market. Shanghai's B index rose 0.555 or 1.1 per cent to 49.227 while Shenzhen Bs picked up 0.83 or 1.4 per cent to 59.80.

KARACHI fell slightly on position-squaring by small investors ahead of the strike called for today by the ethnic Mohajir National Movement. However, the KSE 100 index rebounded on rises in select blue chips, closing 1.46 lower at 1,464.94.

BOMBAY saw selective selling by domestic and foreign funds which pushed the BSE-200 composite index down 23.56 to 3,088.40.